

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

CONTINGENCY CYBER OCCURRENCE ENDORSEMENT

Product Details	
Manufacturer(s)	Convex Insurance (UK) LTD
Class of business	Crisis Management
Product reference	CONX-CM-204-0422
Product risk rating	Low
Binding Authority Ref	N/A
Effective date	09/09/2022
Date of last review	07/08/2024

Product Description
<p>The Contingency Cyber Occurrence Endorsement is designed to indemnify the insured for their ascertained net loss should the insured event(s) be necessarily cancelled, abandoned, postponed, interrupted, curtailed or relocated as a sole and direct result of a cyber occurrence, including cyber attack and computer systems failure, beyond the control of the insured and any participant (as defined in the endorsement).</p> <p>In response to the limited cover afforded under LMA 5464, LMA 5465 and LMA 5466 – which were drafted to provide non-malicious computer system failure cover only for an increasing breadth of covered parties, in conjunction with Contingency policies including Exclusion LMA 5460 – the Convex endorsement provides cover for both malicious cyber attack and non-malicious computer system failure, as well as systemic failure of third party infrastructure which also directly impacts an insured’s or a participant’s computer systems (as per the endorsement) for a defined period of time, with a differentiation in time windows between cyber occurrences which result in physical damage and cyber occurrences which do not result in physical damage.</p> <p>The endorsement is an Event Cancellation cover with a cyber trigger and does not cover any loss of data or breach and response costs. The endorsement does not cover payment of a ransom or extortion monies and/or any direct or indirect payment to perpetrators (or their agents) of a cyber attack, as per the exclusionary language within the endorsement. For the avoidance of doubt, cover otherwise afforded under the endorsement will not be affected by a failure on the part of the insured to pay a ransom or extortion monies.</p>

Product Features	
Covers	1. Indemnity for ascertained net loss should the Insured Event(s) be necessarily Cancelled, Abandoned, Postponed, Interrupted, Curtailed or Relocated as a sole and direct result of a Cyber Occurrence beyond the control of the Insured and any Participant.

	2. This Endorsement will also indemnify the Insured for their Ascertained Net Loss should the Insured Event(s) be necessarily Cancelled, Abandoned, Postponed, Interrupted, Curtailed or Relocated as a sole and direct result of a Cyber Occurrence beyond the control of the Insured and any Participant which is also part of a Systemic Failure.
Key exclusions	<p>This Endorsement excludes any loss, damage, liability, cost or expense directly or indirectly arising out of or caused by or contributed to by:</p> <ul style="list-style-type: none"> a) Any measures to prevent, suppress, contain or control a Cyber Occurrence, other than a Systems Shutdown which solely and directly causes a direct loss otherwise recoverable under this Endorsement. b) Systemic Failure, except to the extent such losses are covered under this Endorsement. c) Any Cyber Operation or attempted Cyber Operation by or on behalf of any State, government or other sovereign entity, whether targeted at the Insured or otherwise, irrespective of any other provision, endorsement or extension of the Policy. d) War or a Cyber Operation arising out of or in connection with any War. e) Threat or hoax or any ineffective Cyber Occurrence, irrespective of any other provision, endorsement or extension of the Policy f) Any unauthorised use of, operation of, or access to, a Computer System, of which the Insured is aware, or ought to be aware, at inception. g) Any Computer System failure which is not caused solely and directly by a Cyber Occurrence. h) Any payment of a ransom or extortion monies and/or any direct or indirect payment to perpetrators (or their agents) of a Cyber Attack (or the threat, hoax or any attempt thereat) whether the Cyber Attack is successful or not.
Main restrictions	As limited in the Schedule and Wording.
Optional cover(s)	None
Claims settlement bases	Covering loss of revenue and/or additional costs on a net ascertained loss basis for the insured should an insured event be necessarily cancelled, abandoned, postponed, interrupted, curtailed or relocated.
Frequently challenged policy terms	None
Policy length	Insurance relating to individual events.
Policy structure	This product is to be sold to commercial customers.

Target Market Analysis

Product complexity	Although complex, the technicality of this product and the intended distribution strategy is suitable for the intended target market. The wording and operation of the product has been designed to meet the needs and sophistication of commercial clients.
Who is the target market?	This product is intended for large scale commercial organisers of music, sporting and corporate events but can also extend to any commercial entity with an insurable interest in an event, e.g. contracted keys person(s) or performer(s).
Risks associated with the target market	There are no material risks/vulnerabilities associated with the intended target market.
Who is this product not suitable for?	The product is not suitable for consumer event organisers/participants. Consumers are defined as a natural person acting for purposes outside their trade or profession

Fair Value Assessment	
Fair 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. Convex's 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	This is a new product without claims, cancellation or complaints history but the broader Contingency market has a history of paying claims with limited history of cancellations or complaints.
Commissions/fees	Commission is governed by the underlying Contingency policy (approximately 25%) but will be considered on a case-by-case basis.
Premium	Minimum rate adjusted on scheduled values of 0.2%, with multiples on this base rate charged depending on risk profile and exposure.
Price setting	Rating set by Convex only on a case-by-case basis. The rates set by Convex have been assessed as part of our value assessment and are deemed to be of fair value to the customer. Intermediaries capable of adjusting the overall price paid by the customer by way of commission, fees and charges must ensure that the overall price paid by the customer represents value for money and is in keeping with the FCA duty to act in the best interests of the customer.

Distribution chain value	The intended distribution strategy has been assessed and there are no superfluous participants in the chain. Fees and commissions are commensurate with services rendered and the overall method of distribution is cost effective.
Remuneration / sales incentives	Volume dependent remuneration should be avoided by distributors and must not conflict with the best interests of the customer.
Premium finance arrangements	This product has not been assessed as suitable for premium finance. Any premium finance arrangements sold alongside this product must be approved by Convex.

Distribution Strategy	
Approved distribution channels	The distribution channel is via a select number of regulated brokers (operating both wholesale and retail). The product will be offered as an endorsement to an existing Contingency Cancellation policy only.
Special Distribution/ Servicing arrangements	N/A
Delegated authority	This product is suitable for distribution via delegated authority subject to approval by Convex and the terms of a Binding Authority Agreement.
Advised/non-advised sales	This product is to be sold on an advised basis only.
Online sales & marketing	This product may not be distributed via online sales. All marketing materials must be formally reviewed for regulatory compliance by the distributor prior to publication.

Conflicts & Risks	
No conflicts or risks identified.	



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