

MX Underwriting Cyber

# HSB Distributor Product Information

Information for distributors of  
HSB insurance products only



A Munich Re company

This document has been produced by HSB in accordance with our regulatory responsibilities as a Product Manufacturer. This document provides high level information on the product, including information on the main features and exclusions, target market, fees, commissions, distribution channel, as well as Fair Value outcome and Consumer Duty regulations. It is intended for use by our Distributors and not for customers or operational staff. For more information, please speak to your HSB representative.

It is not a sales or marketing tool and should not be used as such.

Requests for insurance coverage should always be placed under the most suitable product based on the Insured's needs and in their best interests.

<b>Carrier name:</b>	HSB Engineering Insurance Limited
<b>Broker name:</b>	MX Underwriting
<b>Product name:</b>	HSB Cyber Insurance provided as part of the MX Underwriting Per Capita Plus policy
<b>Reference/UMR (Binder):</b>	MX Wording: Per Capita Extra June 2022
<b>Reference (class of business):</b>	Computer, data and cyber-risks.
<b>Date:</b>	20th November 2023

## Product information

### Product oversight and governance

HSB Engineering Insurance Limited has an established Product Approval Process that covers the entire product lifecycle, from new product development to product review. The following elements are included within the process:

- Extensive research of the product concept is undertaken to identify an appropriate target market.
- Customer type, distribution channel, charging structure as well as the wider market and legal developments are identified and considered.
- Risk assessments and regulatory reviews are undertaken to ensure fairness to customers and that any risks to the identified target market are appropriately managed.
- Product marketing, training and technical support ensures knowledge of the product is accurately assessed and competence is evidenced prior to distribution of the product.
- Post launch, the overall product performance is interrogated and reviewed. This includes claims reports, systems reviews and customer feedback being processed to identify on-going product and market suitability.

### Product summary

HSB are considered to be a specialist insurance company that offer insurance solutions related to the engineering insurance market. One of the products that typically fall within the engineering offering is computer insurance. In 2016, HSB decided to widen the computer offering to include cover for cyber risks in response to the emerging risk and gap identified in the market. In order to gain a market position HSB targeted small to medium enterprises by offering low limits at competitive prices.

The available coverages are:

- Cyber Liability - (damages and defence costs for claims made against the insured during the period of insurance for failure to meet data privacy obligations, transmitting viruses to third parties, loss of reputation (defamation) or breach of intellectual property rights because of online content).
- Data-breach expense (costs and expenses to respond to a failure to meet data privacy obligations including legal and forensic IT review, notifications to regulators and customers, support services to customers such as credit monitoring and ID theft assistance and the provision of a call centre, PR and crisis management)
- Computer system damage, data, extra cost and business income (costs and expenses arising from a cyber event including investigation and system reconfiguration and restoration of data, extra costs to minimise the impact to the business and loss of business income during the indemnity period)

- Cyber crime (financial loss following fraudulent modification of data in the insureds computer system or service providers computer system which results in transfer of money, goods or services, telephone bills resulting from hacking into the computer system and specialist support to assist the insured with a cyber extortion threat).

#### Other information

- **Territorial limits** – the product is available only to customers domiciled in the UK and Republic of Ireland (ROI).
- **Policy renewal** – policy renewal is not automatic but renewal is normally invited (by the carrier via the distributor) as a policy approaches the end of the current period of cover.
- **Claims notification** – all claims are notified to the carrier whose claims team manages the lifecycle of each claim in line with corporate claims handling procedures.
- **Complaints notification** – all complaints are notified to the carrier whose complaints team manages the lifecycle of each complaint in line with corporate complaints handling procedures.
- **Carrier fees** – None.

#### Target market

Small to Medium Enterprises (SMEs), which have less than 500 employees and/or an annual income of £/€50,000,000.

Any important changes to appetite are communicated to all relevant relationship parties. Proposal forms are requested and/or underwriting audits are performed to ensure each policy fits the HSB desired target market. HSB's partnership managers work closely with the client to ensure adherence to the terms of the agreement.

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

- Financial institutions / payment processors such as; banks, building societies, credit card companies, loan companies, card payment processors / clearing houses, investment companies, central post offices or any organisation providing finance/credit or bank accounts;
- Any trades involving gambling / gaming such as betting shops, online betting and lotteries;
- Publishing, broadcasting and media (news, books, radio, TV, advertising);
- Website and software designers / suppliers;
- Consumers or retail customers.

## Distribution Strategy

This product is designed to be delivered to customers via UK and ROI third party suppliers including Managing General Agents and Insurer Partners. This product should be distributed via embedding into a consumer property policy.

## Any notable exclusions or circumstances where the product will not respond

### General

#### Restrictions

- There is a 'Cyber attack limit' which is the most the carrier will pay in total for the period of insurance for all losses resulting from a cyber attack.
- The customer (and any service provider) must back up original data at least every seven days. Precautions must also be taken to make sure that all data is stored safely.
- The customer's computer system must be protected by a virus-protection software package and protected by a firewall on all external gateways to the internet.
- The customer must be registered with the relevant data protection authority and must ensure that appropriate procedures are in place to protect data

#### Exclusions (what is not insured)

Full details of exclusions and conditions are contained in the policy wording but significant exclusions are shown below:

Loss or damage resulting from

- Infectious agents or pandemics.
- Atmospheric or environmental conditions causing interference with satellite signals.
- Confiscation
- Credit-card or debit-card fraud
- Deficiency or improvements
- Deliberate defamation or disparagement
- Obligations to employees or Directors and Officers
- Extortion or ransom
- Financial reporting
- Actual or alleged breaking taxation, competition, restraint of trade or anti-trust law
- Goods, products or software
- Costs of correcting failings
- Fines and penalties
- Penalties assumed under contract

- Insolvency or bankruptcy
- Intentional acts
- Normal upkeep
- Patent
- Telecommunication systems
- Trading risk
- Wear and tear
- War
- Terrorism

### Other information which may be relevant to distributors

1. A 'cyber event' is defined as:
  - loss, corruption, accidental or malicious deletion of or change to, unauthorised access to, or theft of data;
  - damage to websites, intranet or extranet sites;
  - damage or disruption caused by computer virus, hacking or denial of service attack; or
  - failure of or variation in the supply of electricity or telecommunications networks owned and operated by you;
  - affecting your computer system, the computer system of a service provider or customer of yours.
2. Cover under this product may be affected where:
  - a fair presentation of the risk is not provided to the carrier;
  - a delay in the notification of a claim prejudices the position of the carrier;
  - the requirements of any condition precedent (an important term which sets out a step or action that the customer must take) are not met.

## Consumer Duty and Fair Value

In accordance with the FCA PROD4 rules and consumer duty requirements, a product review and fair value assessment are completed annually for this product.

The requirements of these annual exercises consider good customer outcomes based upon the following areas:

- Product and services
- Price and value
- Consumer understanding
- Consumer support

For each of the four key areas, we have assessed what we understand the customer would consider a good outcome. These identified outcomes are:

### **Product and Services**

- Customers are provided with a product that meets their needs
- Customers are provided with a product where the policy limits are appropriate and sufficient
- Customers are provided with a product where the policy coverage meets their expectations
- Customers are provided with clear and easy to understand policy and associated documentation

### **Price and Value**

- Customers are provided with a product where the cost price is fair
- Customers are provided with a product where the distribution costs do not adversely affect the product's value

### **Consumer Understanding and Consumer Support**

- Customers view marketing content that is clear, fair and not misleading
- Customers deal with intermediaries that are well informed and understand our product
- Customers that are vulnerable are identified and appropriate adjustments made
- Customers are provided with all the necessary information to make an informed decision
- Customers receive relevant documentation in a timely manner
- Customers individual needs are considered when they need to use their policy
- Customers can understand all of the terms and conditions of their policy and understand their obligation
- Customers are responded to a timely manner in an appropriate way
- Customers clearly understand how to make any adjustments to their policy and what happens next
- Customers clearly understand how to make a claim and what happens next
- Customers have easy access to making a claim and are well informed throughout the claims process
- Customers are satisfied how they are dealt with when making a claim
- Customers clearly understand how to make a complaint and what happens next
- Customers have easy access to making a complaint and are well informed throughout the complaint process

The review and assessment include insight from the monitoring of key reporting indicators surrounding but not limited to the following areas:

- Customer satisfaction surveys/market research

- Broker feedback
- Service delivery data
- Product reviews including testing of the customer journey
- Fair value assessments
- Retention rates
- Cancellation rates
- Complaints data
- Claim acceptance rates
- Declinature rates
- Frequency of claims
- Loss ratios
- Call handling data

<b>Date of last fair value assessment:</b>	Q3 2023
<b>Outcome of last fair value assessment:</b>	Fair Value*
<p>*Outcome is based upon our core HSB Embedded Cyber</p> <p><b>Comments</b></p> <p>The product provides fair value to customers and is working as designed. Key metrics on usage and product value are monitored and there are no concerns that the product cannot be used or that there are any barriers to claim.</p> <p>This product meets the needs within the Target Market Statement (as noted above)</p> <p>The product has been subject to HSB Engineering Insurance Limited's full product review process and signed off by our authorised approvers as representing fair value to customers and may continue to be marketed and distributed.</p>	
<b>Expected date of next fair value assessment</b>	Q3 2024



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