

CNA HARDY- INSURER INFORMATION DISTRIBUTOR INFORMATION EXCHANGE TEMPLATE

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

Product Name
Miscellaneous Professions – Management Consultants, Recruitment Consultants (Non Vicarious), Recruitment Consultants (Vicarious), Miscellaneous Professions (Civil), Miscellaneous Professions (Negligence), Media Marketing, Multimedia, Film TV Single Claims Made, Film TV Annual Blanket, Film TV Single Occurrence, Estate Agents
Reference/UMR [Binder]
PIAL0223, PIAP0223, PIAX0223, PIAN0223, PIAO0223, PIAE0922, PIAM0922, PIMF0922, PIMT0922, PIMV0922, PIAJ0523
Reference [Class of Business]
Professional Indemnity

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

CNA Hardy Product Review Process
<p><u>Overview</u></p> <p>CNA Hardy operates in accordance with its Product Development and Product Governance Policy which 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.</p> <p>Product governance is strategically important to CNA Hardy. Product governance activities are designed to provide assurance that products that are manufactured or co-manufactured by CNA Hardy deliver fair customer outcomes and do not give rise to customer detriment.</p>

CNA Hardy has formal governance bodies that oversee product development and product governance. The Product Oversight Group ("POG") acts as a strategic oversight function for the discharge of good product governance, while the Product Approval Committee ("PAC") acts as the specific forum for the ongoing review and approval of products.

Where CNA Hardy develops products with intermediaries as co-manufacturers, it will need to enter into a written agreement with the intermediary. CNA Hardy has contacted all its distributors setting out the detail of the agreements CNA Hardy has sought to implement in relation to the allocation of co-manufacturer responsibilities. Please contact Legal.Intl@cnahardy.com for additional copies.

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 for a reasonably foreseeable period.

CNA Hardy retains a record of its fair value assessments. 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.
- How 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.
- 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, the insured risk and the value of the insured assets.
- Whether products operate so the price increases when a policy auto-renews (compared to policies that do not auto-renew) or because the customer is vulnerable or has any protected characteristics or 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 requests from its distributors details of the remuneration of every party in the distribution chain so that it can assess the value of the product. This needs to include the type and amount of remuneration, an explanation of the service provided and confirmation from any FCA authorised firm that remuneration is consistent with their regulatory obligations.

In assessing fair value CNA Hardy uses a variety of information which may include the following:

- Customer research.

- Claims information (such as handling times, frequency, severity of claims costs (total costs and average per claim), claims ratios, rates of and reasons for claim acceptances/declinatures, 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.
- 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 (i) specify a target market; (ii) assess all relevant risks to the target market; and (iii) 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 distributed to the identified target market. Reasonable steps 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: (i) when they are brought to market; (ii) before a significant adaptation; and (iii) 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 with appropriate knowledge, expertise and competence to understand the features of an insurance product and the identified target market.

Distributor Information Exchange

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

The key features of the product

Underwriting:

Tailor made coverage for Miscellaneous Professionals in the UK. This includes:
Miscellaneous Professions – Management Consultants, Recruitment Consultants (Non Vicarious), Recruitment Consultants (Vicarious), Miscellaneous Professions (Civil), Miscellaneous Professions (Negligence), Media Marketing, Multimedia, Film TV Single Claims Made, Film TV Annual Blanket, Film TV Single Occurrence

What is insured?

Cover is provided on a civil liability basis and insures the purchaser against claims made against them arising from:

1. breach of professional duty, including where the claim results from the decision of an adjudicator or an award by an arbitrator
2. libel or slander (committed without malicious intent)
3. breach of confidence or misuse of information
4. Infringement of intellectual property
5. dishonest or fraudulent acts committed in the conduct of your business
6. loss of or damage to third party documents

What is not insured?

7. Risks that can be insured elsewhere, for example, Employers and Public Liability, Product Liability and Property
8. Work undertaken outside the business description
9. Claims arising out of any circumstances notified under any other policy which was effective before this policy started
10. Claims which arise because the purchaser's contracts impose a duty of care on the purchaser, which goes beyond that applicable at common law
11. Losses resulting from computer viruses
12. Losses associated with adjudication where the purchaser is bound by the adjudicator's decision or where the adjudicator was not independent
13. Claims relating to war, terrorism, pollution, asbestos, silica or nuclear radiation or materials
14. Trading losses, fines or penalties
15. All standard risks are covered within the wording, with broad terms around innocent non disclosure.

The products can be written on a NET basis or commission can be included depending on client / broker preference.

Total price charged by CNA Hardy will be advised on the schedule.

The pricing of the products will be based on Insured turnover and declared activities, the business is written via CNA Hardy's rulebook rating product which is linked to claims experience and refined over time.

No additional products offered alongside the PI policies.

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 products would not exceed the benefits that could be received from claims. The policies are written on an annual claims made basis, save for Film TV Single Occurrence, which is occurrence based.

Given the cover is negligence based errors or omission, the likelihood of loss is the same throughout the period.

Exposure is based on fee income and activities which are reviewed annually 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)

Underwriting:

This is a 12-month policy to cover a firm's E&O exposure, the premium is not adjusted and based on the fee revenue and activities of a firm.

The products are fit for purpose for an extended period. Coverage is in line with CNA Hardy's current offering and aligns with regulatory requirements and insured's expectations in these sectors. The products are revisited annually in line with updated minimum terms advised by and worked on with the regulators. We will continue to stress test products through periodic assessments.

When designing the product, significant research was conducted by comparing our intended product with market and competitor wordings. This ensured that our product remained competitive while providing a broad scope of coverage that aligns with current market trends.

It continues to perform as expected, with the number of claims aligning with expectations for a product of this nature.

Pricing can be set either gross of commission or net of commission, depending on the requirements/instructions received from the broker/policyholder.

Premiums are calculated using a proprietary rating model, applying base rates to exposure values using past claims performance and portfolio data to estimate expected claims typical for the trade presented, adjusted for size, territory, limits, attachment and cover; then factoring in underwriting expense, reinsurance, unallocated loss adjusting expense, profit and commission (where applicable). Modifiers are applied to reflect underwriting judgements such as risk management quality together with claims modifiers to reflect actual claim performance of the specific account.

A full re-rating process is carried out at each renewal.

Claims:

Review of products demonstrates they are in line with expectations for products of this nature. Cover and exclusions are standard. No information to suggest the product is not in the customer's best interest.

Using the data available, we see the life cycle is tracking within expectation and there is equilibrium between opening and closure rates in the portfolio.

No declinatures or complaints have been received during the period reviewed.

Distribution:

The products are distributed via professional intermediaries, primarily retail brokers with some wholesale.

The products are distributed via professional intermediaries who provide advice to the customer and have the necessary competence and technical knowledge to provide guidance on appropriate coverage and limits.

These brokers have oversight provided via the TOBA policy and are also subject to our Consumer Duty protocols executed by the Compliance team.

Distribution /submission and quote to bind metrics and MI will be managed through quarterly reviews within the underwriting team overseen by underwriting and distribution AVP's.

The target market for the product

The products have been specifically designed to cater for and meet the needs of professional indemnity clients operating within the Miscellaneous professions sector

The target market is UK parent entities; but overseas subsidiaries will be considered.

This is a mid-market solution for insureds with revenues up to £500m

The products aren't designed (although would be fit for purpose) for micro-customers. The products are not suitable for regulated professional service firms such as accountants and or law firms.

Miscellaneous Firms include:

- Management Consultants,
- Miscellaneous risks,
- Media and film production companies

These are commercial insureds who purchase PI due to contractual requirements and or for balance sheet protection. Cover is in place to protect the end clients of these businesses.

Types of customer for whom the product would be unsuitable

The products aren't designed (although it would be fit for purpose) for micro-customers. The products are not suitable for regulated Professional service firms such as Accountants and or Law Firm.

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

- These products are well-established, with balance sheet protection at its core..
- 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.
- Production will be monitored via the sales and distribution score cards and underwriting production metrics to ensure CNA Hardy's goals are met and our broker distributors are performing in line with our expectations. Our distributors are monitored on a 24/7 basis to ensure appropriate regulatory permissions, sanctions and financial security protocols are in place and in line with our TOBA policy.
- Commission rates are restricted in line with market norms and are controlled via underwriting authorities as per the Acquisition cost policy.
- No authority is given to third parties or other parties in the distribution chain to set, amend or use discretion on pricing.

Date Fair Value assessment completed: 29 March 2025