

HSB Energy Efficiency Insurance

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.

Carrier name:	HSB Engineering Insurance Limited
Broker name:	As stated in TOBA
Product name:	HSB Energy Efficiency Insurance
Reference/UMR (Binder):	POL-UKG-EEI-001-TRA POL-ROI-EEI-001-TRA
Reference (class of business):	Energy Efficiency
Date:	September 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

The HSB Energy Efficiency Insurance policy is a niche product and appears to be unique in the UK market. The focus of the product is the protection of machinery, equipment and materials installed as part of an 'initiative' (or initiatives) detailed in a project plan with the aim of reducing energy consumption and/or generating energy revenue under government backed environmental incentive schemes supporting the use of renewable energy sources.

There are three sections to the product:

- Equipment damage - an 'all-risks' cover, including breakdown, of the assets included in the project plan initiatives - replacement of equipment is on a new for old basis;
- Loss of income - covering financial loss resulting from equipment damage losses - covers loss of gross revenue (income generated under an energy service contract and/or incentives received for the production of renewable energy) and increased cost of working; and
- Asset performance - covering the efficacy risk - any shortfall in aggregated savings and/or revenue from the initiatives - covers the annual shortfall in energy savings compared to the amount of savings insured by the policy. Typical shortfalls caused by deficiencies in the design or implementation of energy saving measures and does not require damage to have occurred to the equipment. The asset performance cover is only offered alongside the other two sections being insured and it is subject to an energy assessment audit undertaken by an external party the Energy Intelligence Centre Limited (EIC).

HSB Energy Efficiency Insurance has a five-year period of insurance (can be less if required) and is non-cancellable.

The product provides a number of advantages for those receiving, delivering and funding energy saving projects:

- Building owners/end users:
 - Makes energy saving projects more easily achievable, enabling a reduction in energy costs;
 - Confidence of knowing that performance shortfall is insurance backed.
- Energy Service Companies (ESCOs):
 - Improved availability of project funding;
 - Reduced finance costs from credit risk improvements;
 - Assets, revenue and performance shortfall all protected;
 - Greater customer confidence in ability to deliver energy saving projects.
- Banks/funders:
 - Technical uncertainty removed from the project;
 - Improved credit worthiness of energy saving projects;
 - Loan repayments protected.

Other information

- **Territorial limits** – the product is available only to customers domiciled in the UK and Republic of Ireland (ROI).
- **Policy renewal** – the policy does not renew.
- **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

The HSB Energy Efficiency Insurance policy is a commercial product designed to cater for the needs of investors in energy conservation measures, Energy Service Companies (ESCOs) and those funders of energy saving projects. Also local authorities and large commercial property owners.

Types of customer for whom the product would be unsuitable

The product is not suitable for consumers or retail customers.

Distribution Strategy

This product is designed to be delivered to customers via UK and ROI open market brokers.

Any notable exclusions or circumstances where the product will not respond

Restrictions

- Settlement for multiple occurrences of damage resulting from the same defect will be on a reducing scale.
- Any fuel supply must meet and be used and maintained within the manufacturers' or suppliers' specifications and operating guidelines.
- In relation to the efficiency initiative(s) tasks must be executed within the timing of the project plan, the terms and conditions of which must be complied with in full.

Exclusions (what is not insured)

Section 1 – Equipment damage

- Damage caused by lightning or over voltage unless the insured property is fitted with zone protection.
- The cost of repairing a defect although we will pay for damage resulting from the defect.
- The cost of electronic data reinstatement following a cyber event.
- Damage caused by intentional overloading, testing, experiment or deliberate misuse.
- Damage caused by solidification.
- Damage occurring 30 days after the business has ceased operations.

Section 2 – Loss of income

- Financial loss resulting from contractual penalties or guarantees of performance.

Section 3 – Asset performance

- Other than for shortfall losses, fines or damages for breach of contract, for late or non-completion of orders, or for any penalties.
- Shortfall caused by the modification or alteration of assets at the insured location.
- Shortfall caused by legal claims, suits or actions which affect the efficiency initiative(s).
- Shortfall caused by outside influences such as the unavailability of electricity or fuel or pricing or loss of market for the product(s).

All sections

- Losses caused directly or indirectly by a cyber event.
- Damage caused by or resulting from mould, pollution or nuclear material.
- Loss or damage resulting from infectious agents or pandemics.

Other information which may be relevant to distributors

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

Date of last fair value assessment:	Q3 2023
Outcome of last fair value assessment:	Fair Value
<p>Comments</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>	
Expected date of next fair value assessment	Q3 2024

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