



# Tokio Marine HCC International

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## *Conduct Risk Policy*



Version: 5.1

Date: April 2026

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## 2. Document Control

### 2.1. Revision History

Version	Description / Reason for Change	Name	Date
0.1- 4.2	Multiple previous versions	Various	August 2023
5.1	Initial Draft – new document created (no tracked changes) given the number of updates. This reflects the updated control framework inc. VisRisk	Sam Guggiari-Peel	05/01/26

### 2.2. Review List

Version	Name	Role	Date
5.1	Sam Guggiari-Peel	Head of Conduct Risk	02/03/26
5.1	David Feldman	Head of International Compliance	07/03/2026
5.1	Sandy Mavrommati	Head of Legal & Compliance - TME	13/02/2026
0.1			
0.1			

### 2.3. Approval List

Version	Name	Date
5.1	PGDC	16/04/2026

### 3. Key Definitions

Term	Description / Definition
Manufacturer	A firm that creates, develops, designs, issues, manages, operates, carries out, or underwrites a product.
Distributor	A firm, whether an insurer or intermediary, that advises on, proposes, sells, arranges or assists in administering insurance contracts.
Co-Manufacturer	A firm that jointly with one or more parties shares responsibility for the design, approval and issuance of an insurance product under product governance rules.
Binding Authority	A delegation arrangement under which an intermediary is authorised by an insurer to underwrite and bind insurance contracts on the insurer's behalf.
Coverholder / Managing General Agent (MGA)	A third-party entity authorised via a Binding Authority Agreement to enter into contracts of insurance and/or perform other functions on insurers' behalf, including claims and complaints handling.
Delegated Claims Administrator (DCA)	Entities appointed to handle claims and, where permitted, claim-related complaints on behalf of an insurer. They are commonly referred to as Third Party Administrators (TPAs).

### 4. Introduction

#### 4.1. Purpose

TMHCC International's (TMHCCI's) overall vision is 'to be a good company', with a key value of 'acting with integrity for the benefit of our customers, business partners, and society'.

The fair treatment of customers has long been integral to TMHCCI's culture and business model, and these principles have not changed. What has evolved is how we operationalise, evidence and monitor them, in line with regulatory developments and the scale and complexity of our business.

The aim of this document is to outline the approach taken by TMHCCI to manage Conduct Risk and document how we ensure good customer outcomes throughout the insurance product lifecycle.

Conduct Risk is defined as *the risk that 'a firm's actions or decisions result in **poor outcomes for customers**, which may result in regulatory breaches'*.

In managing Conduct Risk, TMHCCI recognises that poor outcomes may arise from a range of factors, including:

- **behavioural factors**, such as culture, incentives or conflicts of interest;
- **structural factors**, such as product design, distribution arrangements or information asymmetry; and

- **environmental factors**, such as economic, regulatory or technological change.

TMHCCI's approach to Conduct Risk is therefore focused not only on identifying and mitigating risks, but also on monitoring customer outcomes to ensure fair treatment is delivered in practice.

This Policy documents the key controls that are applied to manage this risk. Details of the individual controls can be found in the underlying procedure and guidance documents.

#### 4.2. Scope and Application

This Policy is applicable to the group of companies known as "TMHCC International" (TMHCCI).

This includes HCC International Insurance Company plc (HCCII) and Tokio Marine Europe S.A. (TME), including their regional and overseas branches; HCC Underwriting Agency Ltd (HCCUA) including HCC Syndicate 4141 and its associated service companies; Houston Casualty Company - London Branch (HCL) and other parts of the group of companies known as TMHCCI, which support our insurance activities.

#### 4.3. Ownership and Review

The Head of International Compliance, alongside the TME Head of Legal & Compliance, has ownership of this Policy and ensures that it is reviewed annually. They have the authority to reaffirm the appropriateness and continued validity of the Policy, if the review identifies that no change is required. However, if the review concludes that amendments are needed, the TMHCCI Product Governance & Distribution Committee (PGDC) will be asked to review an appropriately amended version of the Policy and, if satisfied with the changes, approve it on behalf of the TMHCCI Boards.

### 5. Risk Appetite

TMHCCI's over-arching Risk Appetite Statement, as set by the Board, is: *"TMHCC International has very limited appetite for poor customer outcomes, across the product lifecycle."*

This includes a commitment to ensuring that products deliver fair value to customers, taking account of the benefits provided, the price paid and the overall distribution arrangements. TMHCCI does not tolerate systemic unfair outcomes arising from product design, pricing, distribution or servicing.

### 6. Legal and Regulatory Environment

TMHCCI's Conduct Risk Framework is designed to ensure compliance with all applicable regulations. There is a particular focus on FCA and European regulations, such as the Consumer Duty, the Insurance Distribution Directive (IDD), including Product Oversight and Governance (POG) rules.

It should be noted that many parts of the Framework reference the FCA’s four Consumer Duty Outcomes – Product Design, Customer Understanding, Service and Price & Value. Those are the core TMHCCI conduct principles, which are used as an internal quality benchmark as we believe that these help us to ensure that all customers receive good outcomes and also provide a strong framework for evidencing compliance to European Regulators.

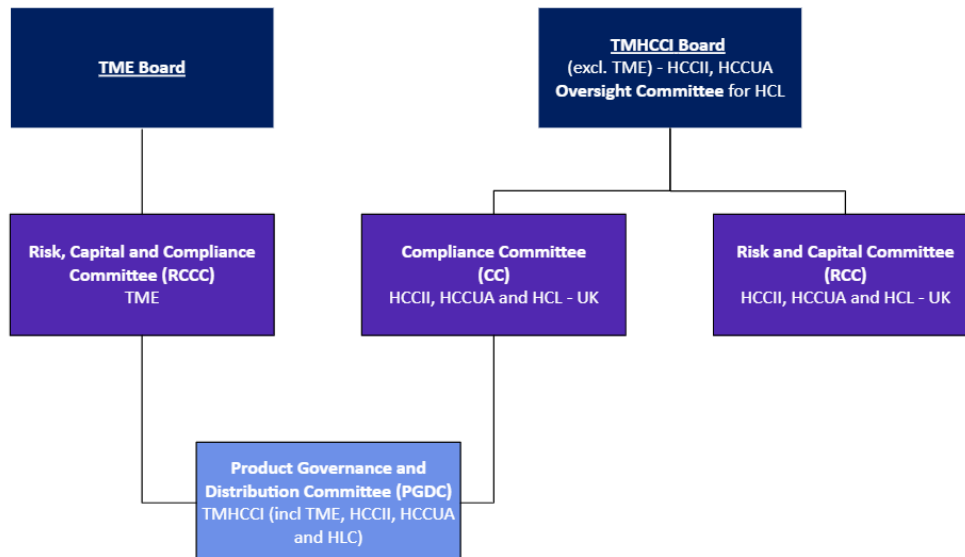
## 7. Customers in Vulnerable circumstances

TMHCCI recognises that some customers may be vulnerable due to their personal circumstances, either on a temporary or permanent basis.

While much of TMHCCI’s business is wholesale in nature, we remain mindful that vulnerability may arise in certain customer interactions and product contexts. We are committed to ensuring that customers in vulnerable circumstances are treated fairly, with dignity and respect, and that reasonable steps are taken to support their needs and achieve appropriate outcomes.

TMHCCI’s detailed approach to identifying and supporting such customers is set out in the separate **Vulnerable Customers Policy**, which should be read in conjunction with this Policy.

## 8. Governance



### 8.1. Boards

The **TMHCCI Boards** and the **TME Board** each have overall responsibility for ensuring good customer outcomes within their respective entities. They set the relevant risk appetite and oversee the effective management of Conduct Risk.

- The TMHCCI Board receives escalation of Conduct Risk matters from the Compliance Committee and considers Conduct Risk within the broader risk context through the Risk and Capital Committee (RCC).
- The TME Board receives escalation of Conduct Risk matters from the TME Risk, Capital and Compliance Committee (RCCC).

### 8.2. Compliance Committee (CC) – UK

A sub-committee of the TMHCCI Board, responsible for overseeing compliance with regulatory and legislative obligations applicable to UK entities, including those relating to Conduct Risk and the Consumer Duty.

### 8.3. Risk and Capital Committee (RCC) – UK

A sub-committee of the TMHCCI Board, responsible for overseeing the overall risk profile and capital position of UK entities and considers Conduct Risk as part of the firm’s overarching risk landscape.

### 8.4. Risk, Capital and Compliance Committee (RCCC) - TME

A sub-committee of the TME Board, responsible for ensuring that all risks are managed effectively, including conduct risk.

### 8.5. Product Governance and Distribution Committee (PGDC)

The primary committee responsible for product governance and distribution and operates across TMHCCI (including TME, HCCII, HCCUA and HCL).

This committee must approve all new high-risk products and material changes to these products.

They also provide ongoing oversight of products, and receive quarterly MI covering overall exposure, customer outcomes and control effectiveness.

## 9. Roles and Responsibilities

All staff play a role in ensuring that products deliver good customer outcomes.

Role	Description
First Line of Defence (Operational activities)	<ul style="list-style-type: none"> <li>• ‘Product Owners’, with direct responsibility for design and manufacture of products</li> <li>• These are typically underwriters of the relevant line of business.</li> </ul>
Second Line of Defence (Compliance/Risk)	<ul style="list-style-type: none"> <li>• ‘Product Reviewers’, providing review and challenge</li> <li>• Advise and support the business</li> <li>• Undertake ongoing Monitoring &amp; Ownership of the framework</li> <li>• Members of the Conduct Risk team, who have been assigned to specific lines of business.</li> </ul>

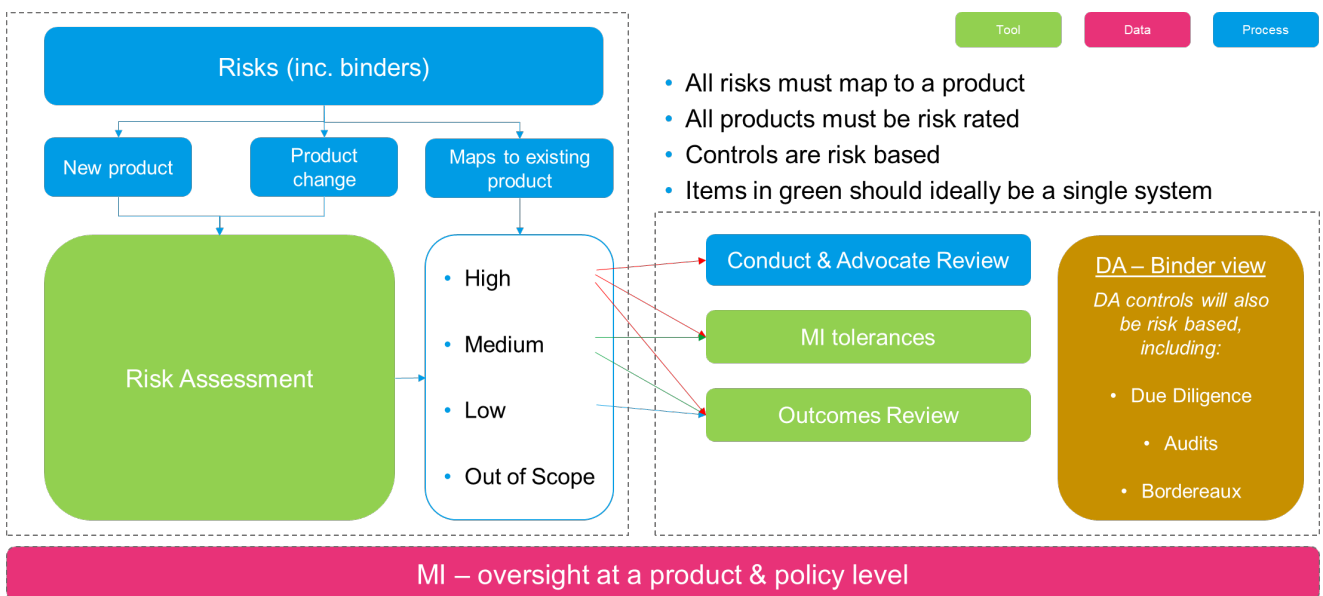
Role	Description
Third Line of Defence (Internal Audit) or External Auditors	<ul style="list-style-type: none"> <li>• Provide assurance that the controls framework remains fit for purpose and effective.</li> <li>• Consider customer outcomes more broadly across all audit reviews undertaken</li> </ul>

An Escalation [procedure](#) is in place, which can be triggered where Conduct Risk controls identify potential poor customer outcomes, breaches of agreed tolerances, distributor concerns or failure to follow required processes, with matters escalated to PGDC and, where appropriate, senior leadership for oversight and remediation.

## 10. Framework

TMHCCI has established a risk-based Conduct Risk Framework designed to ensure proportionate and effective controls are applied to products and distribution arrangements that present the greatest risk of poor customer outcomes.

The following diagram provides an overview of the framework and workflow for product governance. Each component is explained in more detail below.



### 10.1. VisRisk

Central to the framework is the governance of 'Products', which is managed within the VisRisk tool. VisRisk is TMHCCI's dedicated governance and risk management tool, designed specifically to oversee conduct risk at the product level. This is a workflow-based tool, which ensures that governance steps are applied in a consistent manner across the organisation.

Key benefits of the tool, include:

- Defined Users' roles – owners, reviewers and governance approvals
- Audit trail – detailed tracing of all updates and changes

- Action tracking – which can be used within and outside the review cycle
- 3<sup>rd</sup> party information collection and sharing within a centralised data exchange environment.

While VisRisk supports product owners, reviewers and governance committees by ensuring that required assessments, reviews and approvals are completed in a consistent and controlled manner it is intended to support, not replace, business judgement or accountability.

**Compliance requirement: all policies and risks underwritten by TMHCCI must be aligned with a product managed within the VisRisk framework to ensure full regulatory and internal alignment.**

## 10.2. Risk Assessment

The Risk Assessment is the foundational step in the Conduct Risk Framework and is used to identify, assess and categorise the conduct risk level associated with each product.

It is the responsibility of underwriters to ensure that all risks / policies align to a product category.

- In the majority of cases, a product will already exist.
- In some cases, a product may have to be changed.
- In some cases, a new product will need to be created.

Where a new product or a material change is required, the [New / Material change procedure](#) must be followed. If this results in a high-risk product, PGDC approval is required.

All products must have a risk rating. This is determined by a risk rating matrix, which is based on a range of factors across the four Customer Outcomes. This rating matrix may require calibration to ensure that it reflects the risk appetite of the business and enables us to focus and prioritise our controls effectively.

This Risk Assessment is completed by the designated business 'owner' but is reviewed and challenged by the Conduct Risk team.

The Product Risk Rating then dictates which controls are applied. Some products may be out of scope from a conduct risk perspective (e.g., large risks, bespoke products), in which case no further controls are applied. If in-scope, they will be rated as either low, medium or high risk. The following controls will then apply depending on risk level.

## 10.3. Outcomes Review

Following completion of the Risk Assessment, an Outcomes Review is undertaken for all in-scope products (low, medium and high risk) to evidence whether the product is delivering, and is expected to continue to deliver, good customer outcomes.

This is a dynamic question set (depending on the answers of the Product Risk Assessment), which covers each of the four Consumer Duty outcomes. These detail various aspects of

the product and conclude with a statement for each “Outcome” outlining why the company is confident that they provide good outcomes to the customers.

Each “Outcome Review” must be reviewed by the Conduct Risk team, who may challenge where necessary and will only approve the product once there is sufficient documentation and adequate explanation.

It should be noted that the Outcomes Review is completed in two distinct stages.

- The first stage covers the Product Design, Customer Understanding and Service outcomes. These outcomes are assessed initially as they focus on the inherent features of the product, the target market, distribution strategy and the information provided to customers.
- The Price & Value outcome is completed as a second stage, once sufficient information has been obtained from distributors and other relevant third parties. This reflects the fact that a meaningful assessment of value cannot be completed until the full distribution chain, including remuneration, fees, commissions, add-ons and any premium finance arrangements, is understood.

To support this, TMHCCI in the UK participates in the Product Value Information Exchange (PVIE) process, through which relevant product and outcome information is shared with distributors, and data is collected from them on distribution costs and customer-facing charges. This information is then reviewed and incorporated into the Price & Value assessment to ensure the overall product delivers fair value to customers.

An Outcomes Review is only considered complete once all four outcomes, including Price & Value, have been assessed, reviewed and approved by the Conduct Risk team.

#### **10.4. Management Information (MI) tolerances**

For medium and high-risk products, MI tolerances are defined as part of the Outcomes Review and recorded within VisRisk. Effectively, the Outcome Review question set is expanded to include a range of metrics across the four Consumer Duty outcomes. In each case the owner is required to provide a prior year figure and a year-ahead estimate.

The year-ahead estimate is reviewed / challenged by the Conduct Risk team. Once agreed, these are then used as benchmarks with ongoing monitoring to ensure that products are performing as expected. Significant deviations are reviewed by the Conduct Risk team to ensure that they do not indicate poor outcomes for the customer.

#### **10.5. Conduct Wording / Customer Advocate reviews**

For high-risk products, additional independent reviews are undertaken to provide enhanced assurance that customer-facing documentation is clear, fair and not misleading. It can also be applied for medium-risk products on a case-by-case basis.

- Conduct Wording reviews – these are technical assessments to ensure that policy wordings and other associated customer related documents, such as IPIDs and

Policy Schedules, meet set regulatory / legal requirements in relation to customer information, including complaints

- Customer Advocate reviews – these are reviews of policy wordings and other associated customer-facing materials, undertaken by staff, who do not have an underwriting or claims role or background. They act as a proxy for the target market and provide feedback on whether the materials are clear, fair and not misleading.

The process and details of these reviews and associated documents are outlined in the Conduct Wording and Customer Advocate Review [procedure](#).

Reviews may result in actions - optional or mandatory. Mandatory actions are tracked to ensure they are completed. Where necessary, subjectivities can be applied.

These reviews are undertaken at a minimum of every 3 years.

## 11. Ongoing Monitoring

In addition to regular Outcome Reviews, it is also critical to monitor product performance on an ongoing basis, using qualitative and quantitative information.

Data and MI play a key role in this, as such we monitor a range of metrics across each of the four Consumer Duty Outcomes and the entire customer lifecycle. Trends, outliers and breaches of tolerance may indicate poor customer outcomes and typically trigger further analysis and action.

The Conduct Risk team manages the underlying data model and reports, which are used for monitoring by both product owners and reviewers.

As noted above (10.4), for High and Medium Risk products benchmarks are agreed, which are considered to indicate good outcomes, as part of the periodic Outcome reviews. Deviations from these benchmarks are therefore investigated further, to ensure that products are performing as expected and continue to deliver good outcomes for the customer.

The PGDC receives quarterly MI packs, allowing them to monitor the company's position against the stated risk appetite and provide oversight and challenge.

## 12. Delegated Authorities Controls

Whilst many of our controls are applied at Product level, it is also critical to consider individual third parties and their ability to distribute or provide services for our products.

As such, the Conduct Risk and Delegated Authority (DA) teams are closely aligned. The DA team manages a number of processes, which ensure that third parties are able to meet and uphold our standards.

These have been designed with input from the Conduct Risk team and are risk-based, e.g. an enhanced audit scope for coverholders selling high-risk products. The Conduct Risk

team can also assist in their performance as required, e.g. reviewing the conduct risk processes of a coverholder, as part of the due diligence. These controls are documented in the Delegated Authorities – Conduct risk-based controls procedure.

### **13. Training and Awareness**

All staff have a responsibility to deliver good customer outcomes and adhering to all applicable rules and regulations. Training therefore plays a key role in ensuring that they have the required knowledge and understanding.

As such, all staff receive training on conduct risk, including complaints, typically via e-learning and communications from the Compliance department.

In addition, 'relevant staff' have been identified, who receive additional training and are required to complete a minimum of 15 hours of continuing professional development each year. For TME refer to the "TME IDD Continuous Learning Procedure" (March 2025).