Product: Upstream and Midstream Energy

Manufacturer Information
Product information
Upstream and Midstream energy is a product grouping of similar insurances which provide a range of covers to specialist energy industry clients in the oil and gas sector. While certain products may be selected by an insured separately, in the majority of cases a package of covers is constructed based on the clients individual needs / requirements. Insurance covers provided by Upstream and Midstream Energy include (but are not limited to): - **Physical damage** to offshore and onshore oil and gas infrastructure (operational and construction phases); - **Operators extra expense (OEE)** cover for costs associated with loss of control of an oil/gas well; - **A range of optional liability** covers which can be selected by the insured on a modular basis, including indemnity for, bodily injury, personal injury, advertising injury, third party property damage, and; products, completed operations, employers, watercraft, aircraft, automobile and maritime employers liability. - **Offshore pollution liability (OPOL)** cover, which is a statutory required insurance for UK offshore oil companies, packaged with OEE or other related covers. OPOL provides coverage in respect of escape or discharge of oil causing pollution damage, and associated liabilities. - **Loss of production income** provides loss of income / business interruption insurance for costs associated with loss of oil/gas production and increased costs of working arising from accidental physical loss or damage, or out of control wells during a defined recovery period. This can include cover for either operational infrastructure, or for costs incurred due to 'delay in start-up.' Differing product wordings may be utilised for differing client types and/or project phases (while covering the same core risks), for example there are specific policy wordings in place for physical damage during construction phases of offshore rigs, platforms and pipelines).
Target market
The product(s) has been designed to cater to the specific needs of energy sector businesses and contractor firms, which undertake exploration and production operations with respect to oil and gas reserves. Customers of the product(s) are sophisticated oil and gas sector companies which can include small and medium sized enterprises with interests in such businesses/projects. Contractor businesses and other sector clients seeking upstream and midstream insurances include drilling and service contractors, cable operators and shipyards.
Types of customer for whom the product would be unsuitable
The product(s) may not be appropriate for: - Individual / natural consumers acting in a private capacity; - Downstream businesses i.e. risks including petrochemical, refining and processing activities; - Businesses seeking gradual and operating pollution cover. While the products are suitable to be distributed worldwide, it is noted that certain high hazard / high sanctions risk territories are outside of underwriting appetite. In addition, the product(s) do not provide liability coverage for liabilities incurred under the US Oil Pollutions Act, and; OPOL coverage is specific to UK based customers only.

Any notable exclusions or circumstances where the product will not respond

(i) Exclusions

Key exclusions for core coverages are listed below (on an including, but not limited to basis). It is noted that market standard wordings and endorsements are utilised, which are regularly updated, for example a new market endorsement excluding losses relating to claims linked to an Energy firm's contribution to climate change / deterioration has recently been introduced.

Physical Damage
- Windstorm in the US Gulf, or Gulf of Mexico
- Earthquake, volcanic eruption, explosion, tidal wave, tsunami, seaquake;
- Loss or damage from drilling a relief well to control a fire, blowout or cratering associated with another platform or unit;
- Claims related to control of blowout, cratering or fighting fire associated with blowout;
- Claims for delay, detention, loss of market, loss of use or other consequential losses;
- Wear and tear, gradual deterioration, machinery breakdown, subsidence, corrosion;
- Repair of defective parts or liability for faulty design, materials or workmanship;
- Damage to dynamos, lamps, motors, switches and electrical appliances caused by electrical injury or disturbance;
- Loss or damage arising from strikers, locked out workers, political disturbances, confiscation and nationalisation;
- Fraud;
- Mysterious disappearance;
- Fines for breach of contract;
- Third party liability;
- Repositioning of pipelines/ flowlines that have not been lost of damaged;
- Blockage of pipelines;
- Scraping, coating or painting of pipelines;
- Drilling or servicing rigs;
- Onshore property;
- Wells, holes, mud, chemicals, fuels, tubing, unrefined oil/gas/crude products;
- Blueprints, plans, specifications or records.

Operators Extra Expense (other specific exclusions apply per section)
- Fines / penalties imposed by law or government;
- Punitive damages;
- Undertaking operations without due diligence or compliance with warranties;
- War, military action, atomic fission or radioactive force;
- Insurrection, rebellion, revolution and civil war;
- Earthquake, volcanic eruption, or tidal wave caused by the same, outside of specifically stated geographic areas;
- Detonation of explosives or use of weapons by malicious persons or those with political motives;
- Political or terrorist acts;
- Infidelity of the insured;
- Radioactive contamination, explosion, or weapons.

Liability
- Breach of contract;
- Occupational disease;
- Arising out of aviation products;
- Discrimination, sexual harassment and inappropriate conduct;
- Property damage (first party and care/custody/control);
- Fines & penalties;
- Personal or advertising injury arising from infringement of trademark, incorrect description or mistake and unfair competition;
- Professional services;
- Asbestos, tobacco, coal dust and other similar stated substances / chemicals;
- Hearing loss, HIV, AIDs, CTD, repetitive strain injuries;
- Failure to supply oil / gas;
- Seepage and pollution except in situations stated;

- Waste materials;
- War, civil war, confiscation, nationalisation, terrorism, acts of malicious persons;
- Damage caused by uninsured motorists;
- Breach of directors duties or responsibilities;
- Violation of laws;
- Cover that would be otherwise payable under a Directors & Officers policy;

OPOL
- Liability under any other clause of the OPOL Agreement including fees or sums payable to OPOL itself;
- Guarantees offered in respect of any liability;
- Claims filed over a year after the date of an incident;
- fines, penalties, or punitive/exemplary damages.

Loss of productions resulting from:
- Strikes, political / labour disturbances, riots, confiscation, etc.;
- Abandonment of insured premises;
- Suspension or lapse of a lease or contract;
- Loss of production from non- 'completed' wells.

And:
- Fines / liquidated damages, damages for breach of contract;
- Infidelity, dishonesty and fraud;
- Loss of market / contract.

(ii) Limits of liability:

Physical Damage
- Insured values are stated in the policy schedule for each item of insured property, as well as location, insured's percentage interest.
- Additional limits apply to other risks/covers e.g. only 25% of insured value can be paid for costs/expenses for averting or minimising loss or damage, temporary removal, or removal of wreckage / debris;
- Stated sub-limits are in place for minor works on a per contract basis

Operators Extra Expense
- Combined single limit of liability for any one occurrence across all major sections of cover (control of well, redrilling, seepage/pollution)

Liability
- Limits in respect of any one occurrence, and separate aggregate limits for products liability and completed operations liability.
- Sub-limits are clearly stated in policy schedules.

OPOL
- Occurrence based limits stated in the policy schedule.

Loss of Production Income
- Cover is subject to an Occurrence Limit stated in the policy schedule for any one occurrence.
- Each occurrence limit is subject to sub-limits in respect of a 'measure of recovery clause,' and a $250,000 sub-limit for loss of production income caused by direct physical loss or damage to 'dependency premises' unless otherwise agreed.

(iii) Excesses

Per occurrence and aggregate deductibles are agreed with the insured per cover selected, and clearly stated in policy schedules.

Other information which may be relevant to distributors

This product should be sold in line with FCA regulations and can only be sold by a regulated insurance distributor.

Sales journeys must identify customer eligibility and ensure that key information and choices to be made are presented to customers in a way that supports a customer through the process of understanding core cover and configuring optional elements of insurance to suit their specific demands and needs.

This product can be sold face to face, via telephone or a mix of these methods, as long as customers are provided with sufficient information to make an informed decision regarding the suitability of the product.

This product can be sold with advice in line with FCA regulations or local regulations if the distributor is regulated outside of the UK.

Commission & Fees

If there is a coverholder in the chain, they are expected to ensure that maximum commission rates do not exceed those stipulated within the Binding Authority Agreement.

The coverholder is expected to maintain oversight of all broker commissions (where applicable) and, where there may be a risk to product value, remedial action should be taken immediately including notification to Tokio Marine Kiln.

Brokers are reminded of their own regulatory obligations in relation to remuneration under PROD 4.3.6 as well as the requirements to make all necessary disclosures to the customer.

Where there are any fees charged by any member of the distribution chain these should be:
- commensurate with the service provided by the distribution.
- not have an adverse impact on customer value; and
- distributor should ensure that TMKS is made aware of the fee amount and/ or method of calculation.

How value is assessed

Value is assessed based on a number of metrics, including underwriting, claims and complaints information as well as through broker and coverholder engagement.

Remuneration paid as set out in our agreements with distributors has been considered as part of the value assessment.

If additional add-ons (including premium finance) are sold alongside this product or additional remuneration is charged, this may affect the value for the customer.

Further information on our product approval processes can be obtained on request.

Date Fair Value assessment completed	October 2023
Expected date of next assessment	October 2024