Product: Shipment Contractual Liability Protection

Manufacturer Information

Product information

The Shipment Protection Contractual Liability Insurance Protection (CLIP) product is an insurance solution designed to protect merchants against financial exposure arising from their obligations under a service contract with individual customers purchasing goods online. Under this arrangement, the merchant offers a service contract guaranteeing shipment protection (covering loss, damage, theft, or delay during transit), and CLIP indemnifies the merchant for claims payable under that contract.

Key Benefits / Coverage:
- Reimbursement to the merchant for valid claims under the service contract.
- Covers contractual liability for risks such as non-delivery, porch piracy, accidental damage, and loss during transit.
- Provides certainty and financial security for merchants offering enhanced delivery guarantees.

Nature of the Product:
- A business-to-business insurance product supporting merchants who sell goods online and wish to offer customers added protection.
- Operates as a backstop for contractual obligations, reducing merchant risk and improving customer trust.

Typical Customers:
- E-commerce merchants and online retailers shipping goods to consumers.
- Particularly suited for businesses seeking to differentiate through superior delivery assurance and customer experience.

The CLIP product provides indemnity coverage to merchants for their financial obligations under a service contract offered to customers purchasing goods online. Specifically, it reimburses the merchant for valid claims arising from:
- Loss or non-delivery of goods during transit.
- Accidental or malicious physical damage to goods while in transit.
- Theft or porch piracy after delivery confirmation but before customer possession.

Coverage applies from the point the goods are handed to the carrier until delivery to the customer's final destination, subject to defined limits and exclusions. The product does not insure the customer directly; instead, it protects the merchant against the cost of fulfilling their contractual obligations under the service agreement.

Target market

The CLIP product is designed for merchants operating in the e-commerce and online retail sector who ship physical goods directly to customers.

Key characteristics of the target market include:
- Business Model: Merchants selling tangible products online, often with direct-to-customer delivery.
- Risk Profile: Businesses seeking to mitigate financial exposure from delivery-related risks such as loss, damage, theft, or delay.
- Customer Experience Focus: Merchants aiming to enhance trust and loyalty by offering shipment protection as part of their service contract.
- Volume & Value: Suitable for merchants handling moderate to high shipment volumes and goods with meaningful retail value (e.g., electronics, apparel, consumer goods).
- Digital Integration: Businesses capable of integrating service contract processes into their online sales platforms.

This product is particularly attractive to merchants who want to differentiate themselves through delivery assurance programs and reduce the operational and financial burden of managing claims.

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Types of customer for whom the product would be unsuitable

The CLIP product is not suitable for:

- Merchants outside or those shipping goods to destinations outside of territories in which Lloyd's is licensed.
- Businesses selling excluded or high-risk goods, such as: Automobiles, boats, live animals, cash, negotiable instruments, fine art over $10,000, precious metals/stones, pharmaceutical drugs, or cannabis-related products.
- Merchants with low-value or non-physical goods, such as digital products, services, or subscriptions, where transit risk does not apply.
- Businesses unable to meet operational requirements, including:
    a) Issuing Service Contracts to customers.
    b) Maintaining accurate shipment tracking and evidence for claims.
- Merchants unwilling to comply with strict claim timelines and documentation requirements, as failure to meet these conditions invalidates coverage.

This product is designed for merchants who actively manage shipping risk and customer experience; it is not appropriate for businesses where these factors are irrelevant or impractical.

Any notable exclusions or circumstances where the product will not respond

The CLIP product indemnifies merchants for obligations under their service contract, but coverage is subject to specific exclusions and conditions:

Key Exclusions

- Goods excluded under the service contract, such as:
    a) Automobiles, motorcycles, boats, live animals, cash, negotiable papers, securities.
    b) High-risk items like fine art (over $10,000), precious metals/stones, pharmaceutical drugs.
    c) Cannabis or cannabinoid-containing products.
- Loss or damage under the service contract caused by:
    a) Incorrect delivery address or insufficient evidence of loss.
    b) Pre-existing damage before transit.
    c) Fraud, misrepresentation, or dishonest acts by the merchant or customer.
    d) War, civil unrest, strikes, government actions, nuclear or chemical contamination.
    e) Inherent vice, wear and tear, poor packaging, or illegal shipments.
- Claims reported by the merchant outside the required timeframes (e.g., more than 90 days after order date).
- Service contracts issued outside of the policy period.

Key Conditions

- Merchant must issue a valid service contract to the customer.
- Claims under the service contract must be supported by evidence (e.g., tracking number, police report for theft).
- Limits of liability apply (e.g., $5,000 per shipment for most goods; $2,500 for electronics).
- Merchant must preserve rights against carriers and cooperate in recovery efforts.

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.

Where Distributor 1 sells this Product via multiple other distributors (via sub-delegation or sub broking), it is their responsibility to ensure all distributors have been provided this document, have reviewed it and understand the content. If there is any additional remuneration, including commissions, fees or other 'non-standard' remuneration charged to the customer by other distributors, it is the responsibility of Distributor 1 to inform TMK of these details accurately and in full.

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, electronic communications 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 or without 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	December 2025
Expected date of next assessment	June 2026