

Product Oversight and Governance | Policy

1. Product oversight and governance

Product oversight and governance refers to the systems and controls firms have in place to design, approve, market and manage products throughout the products' lifecycle to ensure they meet legal and regulatory requirements.

Product oversight and governance activities are designed to provide assurance that products manufactured by ARAG:

- meet the needs of one or more identifiable target markets;
- are sold to clients in the target markets by appropriate distribution channels;
- deliver appropriate client outcomes;
- offer fair value to customers in the target market.

2. Regulatory requirements

There are numerous regulatory requirements that are incorporated into ARAG's Product oversight and governance activity, including:

- **Principles for Businesses** (specifically including the six TCF Customer Outcomes)
- **Responsibility of Product Providers and Distributors for the Fair Treatment of Customers (RPPD)**
- **Senior Management Arrangements, Systems and Controls Sourcebook (SYSC)**
- **Insurance Conduct of Business Sourcebook (ICOBS)**
- **FCA Product Intervention and Product Governance Sourcebook (PROD)**

3. Conduct Risk

Conduct Risk is the risk that firms do not deliver fair customer outcomes. The Financial Conduct Authority (FCA) has built on the principles of 'Treating Customers Fairly' to form their approach to Conduct Risk and fundamentally wants to see firms delivering 'fair outcomes' when they deal with customers. This means that firms must not only adhere to the rules set out by the FCA but critically understand and carry out the spirit and principles of what those rules are trying to achieve. The FCA also expects firms to have appropriate cultures and business models designed to deliver fair customer outcomes.

ARAG operates an extensive risk based Conduct Risk programme, designed to:

- achieve the appropriate oversight of all methods of distribution; and
- mitigate the risk of unfair customer outcomes resulting from the marketing, sales and administration of products.

4. Policy Statements

The Product Governance Policy should be read in conjunction with:

- **The Product Governance Process**, that outline appropriate sign-off governance.
- **Target Market Statements**, that outline product governance, target audience, eligibility and distribution method for each product.
- **ARAG Product Governance Check List and Sign Off**, together with **Guidance Notes**, used for internal sign-off of new policy documentation by both ARAG's Compliance team and the Senior Manager responsible for Product Development.

5. Product Governance Process

ARAG operate a robust sign off process for all new products and material product changes, with the following areas of accountability:

- Product Development Team produce technical performance reviews at product and thematic level. This work informs pricing and product content.
- Product Development Team conduct research and co-ordinate product launch/relaunch/change activity. The team drafts policy documentation, supporting literature and provides technical training.
- Product Development Team engage with stakeholders throughout the process.
- The Product Development Manager sits on the Conduct Risk Committee.
- Underwriting & Claims Committee provide approval of product development.
- Sales, Product & Innovation and Group Risk Management at ARAG Group (and other stakeholders) approve new product ideas/innovation.
- Products are also approved by our capacity Underwriters (and Reinsurers where appropriate).
- Underwriting Team(s) conduct technical performance reviews at account level.
- Claims Audit Team audit external service providers.

6. Review

Product oversight and governance is an ongoing activity. It will however form part of:

- **Product Reviews**
Product reviews seek to provide assurance that the products manufactured or distributed by ARAG do not give rise to customer detriment and produce fair customer outcomes.
- **Thematic Reviews**
A bespoke series of thematic reviews that may cover processes/activities that cut across a number of product areas, known issues, regulatory/legislative requirements and/or changes, or other product related activities.
- **Product Governance MI and reporting**
Including MI submitted to FCA on value measures.

Products are reviewed at regular intervals, scheduled based on a number of factors such as the size, scale, contractual duration and complexity of those insurance products, their respective distribution channels, and any relevant external factors such as changes to the applicable legal rules, technological developments, or changes to the market situation. Such reviews will be undertaken every 12 months or more frequently where the potential risk associated with the product makes it appropriate to do so.



7. Manufacture by more than one firm

When firms collaborate to manufacture an insurance product, both must outline their mutual responsibilities in a written agreement.

Such agreement shall specify the procedures through which they shall agree on the identification of the target market and their respective roles in the product approval process.

8. Implementation

The Underwriting Director is responsible for ensuring all staff are aware of and adhere to the policy.

9. Approval

The Policy is reviewed at least annually by the Underwriting Director and approved annually on behalf of the Company by the Conduct Committee.