



Insurance Distribution Directive

Product Oversight and Governance

Effective from 1 October 2018

Introduction and Context

The Insurance Distribution Directive (IDD) is a new EU directive which introduces a minimum harmonisation standard for regulation of insurance and comes into force on 1st October 2018, in line with European regulation. The IDD changes are wide-ranging, affecting sales journey, conduct and product oversight and governance through to conflicts of interest, complaints, training and remuneration disclosure.

With regard to the Product Oversight and Governance part of IDD we would like to share with you an outline of the Product Approval Process which we use in Aviva and our product category Target Market Statements which provide clarity on who our products are intended for.

Aviva's Product Oversight and Governance Policy

In accordance with the FCA's rules Aviva has governance processes in place to oversee the design, approval and review of our products.

What controls does Aviva have in place?

Aviva's product governance processes:

- formalise approval of new product developments and changes to existing products,
- identify the intended target market and their needs,
- test customer understanding
- consider vulnerable customers
- monitor post-sales performance and customer value.

We also regularly monitor and review all our products, across all distribution channels, to identify if any changes are required and ensure that they meet customer needs.

What does this mean for me?

The rules require product manufacturers to make available appropriate information on its product approval process to their distributors. We are sharing Aviva's 'Proposition Development Approval Process' with you for this purpose.

As product manufacturer Aviva will continue to monitor the performance of our products to ensure that they continue to meet the needs of customers and deliver fair value.

IDD also requires product manufacturers and distributors to co-operate together to share appropriate management information to ensure products are distributed to the intended target market.

Please continue to direct any product development requests, feedback or concerns about Aviva's products via your usual Aviva representative.

Target Market Statements

The FCA rules require the product manufacturer (Aviva) to consider a number of points when designing their product range and these include:

- Specifying an identified target market for a typical group of potential customers
- Identifying relevant risks to the target market
- Ensuring that the intended distribution strategy is appropriate for the identified target market
- Requiring the product manufacturer to take reasonable steps to ensure that the insurance product is distributed in accordance with the target market for specified distribution channels.

What does this mean for me?

Aviva has developed Target Market Statements to provide you, our distributor, with clarity on who the product is intended for (and who it is not) and how the product can be offered to customers.

The Target Market Statements are intended to provide overarching information at a product category level. As a distributor we recommend you consider being able to evidence the following:

- How your distribution strategy aligns with the Target Market Statement.
- Consideration of the demands and needs of your own customer segments and whether any of the customers are on the margins and therefore may be outside of the Target Market due to eligibility or exclusions.
- Consideration of how any policy limitations, exclusions or alternative insurance cover in place might inhibit a customer from getting full value from the product.
- Consideration of vulnerable customers within your own customer base focusing on whether they may require additional support in their decision-making.

Is everyone doing this?

All manufacturers need to provide target market information for their on-sale products, however, some firms may decide to introduce these on a gradual basis as part of their product approval process for new products and significant adaptations of their products. Aviva has chosen to provide you with overarching product category statements for our on-sale products now.

Can I offer the product to customers outside of the Target Market?

The Target Market is aimed at a general customer group and you should not assume that a product is appropriate simply because the customer is in scope. Equally a customer may benefit from purchasing the product even if they are out of scope (subject to eligibility criteria). During the sales process the customer's demands and needs should be taken into account to determine what is right.

Distribution strategies regarding how the product can be offered to customers (e.g. online or face to face) must be agreed by us. Should you believe that an additional distribution channel could be used then we would like to hear from you so that we can consider your proposal.

Anything else?

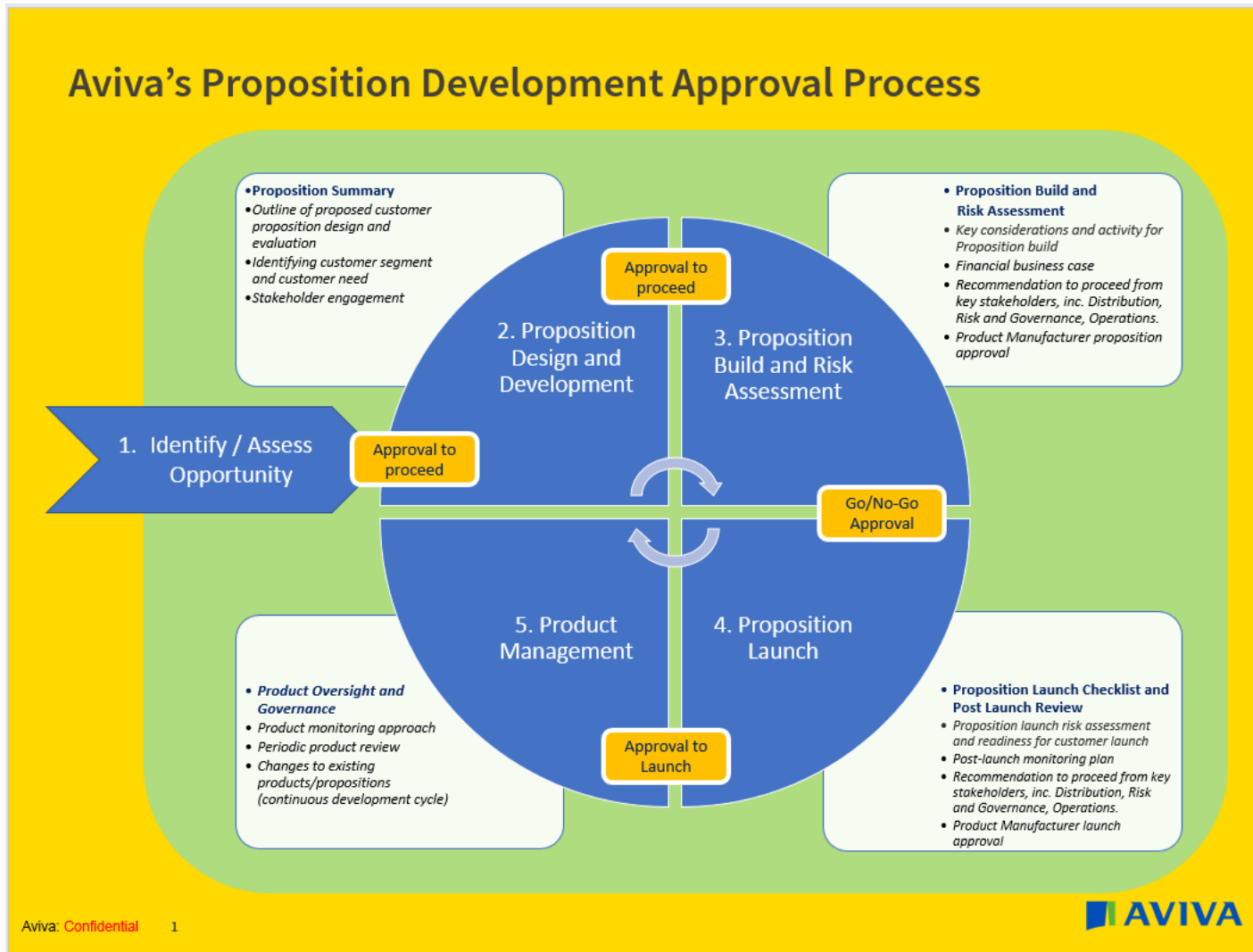
It is not intended that these statements are shared with customers or operational sales staff. However, please note that if we have allowed you to use sub-agents then these also apply to them.

Aviva has no immediate plans for large scale amendments of existing contractual agreements, but will assess the suitability of agreements when they do come up for amendment from time to time.

Feedback

Your feedback is welcome on how you are using the Target Market Statements - please send this to your usual Aviva representative.

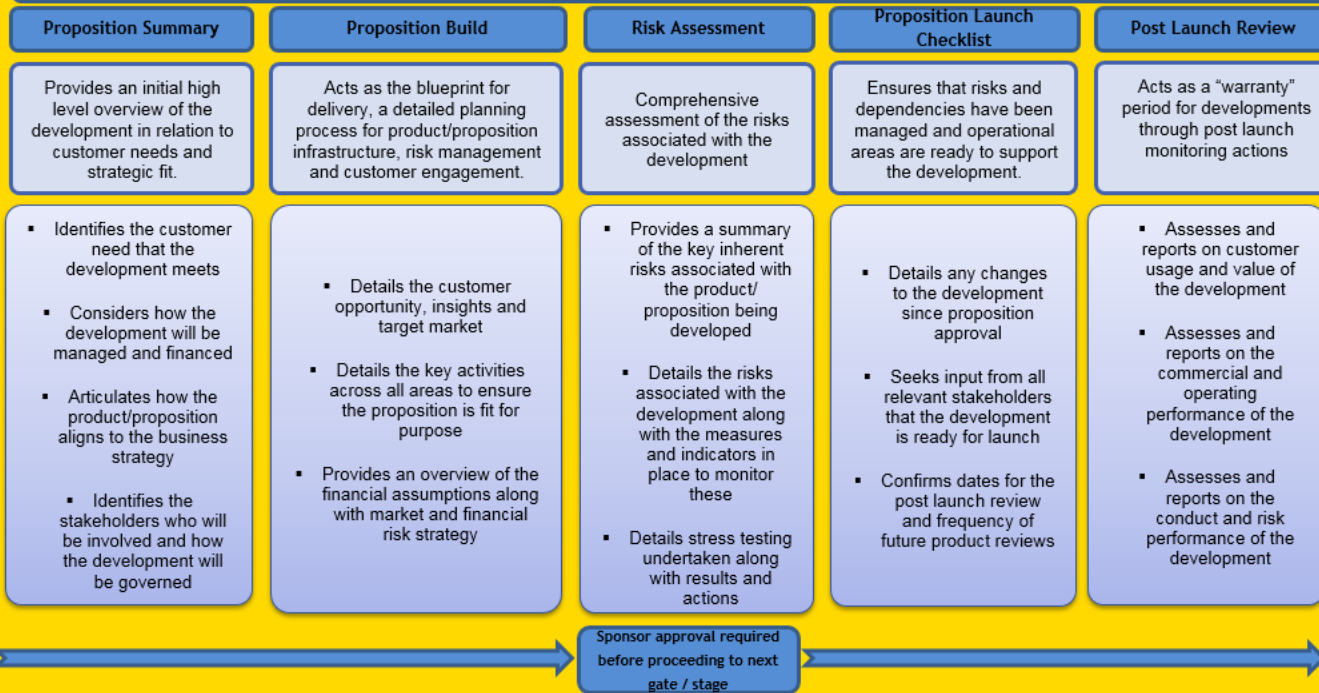
Appendix 1: Product Approval Process



Aviva's Proposition Development Approval Process

Aviva's Proposition Development Approval Process is the mechanism to assess and document the considerations and requirements for all new proposition developments and any 'material' changes to existing propositions. The proposition development approach is undertaken through five distinct stages or 'gates' with approval required before the development proceeds to the next stage. This element of the framework concludes following completion of the Post Launch Review. Following this, ongoing performance and customer value is assessed through the Product Review cycle.

Proposition Development Approval Process



Appendix 2:

Aviva General Insurance Target Market Statements

The Insurance Distribution Directive (IDD) requires Product Manufacturers to share information about the intended target market for their products with their Distributors. Aviva, as Product Manufacturer, has therefore developed 'Target Market Statements' to provide you with this information. These are not intended for customers or operational sales staff.

Our Target Market Statements are intentionally provided at a product category level to clarify who our products are designed for, who they are not intended to support and how we expect the product can be offered to customers.

For the Aviva underwritten propositions you distribute we expect your agreed product distribution arrangements to be in accordance with the relevant Target Market Statement provided below. Please continue to refer to the specific insurance policy documents for further information about the features, benefits and exclusions of a particular insurance policy, where we may have agreed variations to meet your requirements.

Legal Indemnities

What customer need is met by this product?

This product is designed for customers who require insurance protection for defects on title to real estate that are revealed during the conveyancing process.

Who is this product designed for?

This product is designed for any owner(s) now and in the future of the freehold or leasehold interest in a property and/or any bank, building society or other lending institution now and in the future holding a mortgage or charge on a property.

Cover under the policy is effective from the start date and continues for ever.

Who is this product not designed to support, or are there any features that you should be aware of when considering this product for your customer?

Policies which have not been arranged for customers on the recommendation of their legal adviser. Customers who are not purchasing a property through the conveyancing process.

Can this product be sold with or without advice?

This product can be sold with or without advice depending on your preference and in line with FCA regulations.

How can I offer this product to my customer?

We would suggest that this product can be sold face to face, via telephone or email.