

## Proposition Development Process

Following the introduction of the Insurance Distribution Directive in 2018, the Financial Conduct Authority (FCA) amended the Product Intervention and Product Governance Sourcebook ('PROD') to include insurance products. A Policy Statement in May 2021 added further requirements to the FCA Handbook with effect from 1 October 2021.

PROD requires a firm which manufactures any insurance product to maintain, operate and review a process for the approval of new products or significant adaptations to an existing insurance product, before it is marketed or distributed to customers. This document outlines the proposition development process used by The Exeter.

### Proposition Governance Committee

The Proposition Governance Committee is responsible for assessing and approving the development of any new product together with any enhancements or changes to an existing product. It is also responsible for making any recommendation to withdraw an existing product.

The committee, made up of a wide range of stakeholders from various roles within the organisation, is chaired by a member of our Executive Board.

The committee conducts a thorough review of proposals and risks at every step of the proposition development process – as detailed below.



### Product concept

At product concept stage, the committee will consider proposals from a number of perspectives. Including:

- Whether they meet the needs of a particular target segment of customers and whether there are any groups of customers the product would not provide value to.
- The recommended distribution channel for the product in order to effectively reach the specified target market.
- The steps that will be taken to ensure the product provides fair value to customers.
- Whether the research presented with the proposal is sufficient, or whether further research is required to allow full analysis.
- To assess any risks relating to the specified target market, including the potential risk and possible levels of harm if the product design is flawed, and how these can be effectively mitigated.
- Ensuring all required regulatory permissions are in place to allow distribution of the product.



### **Product design**

At this stage of the process, the committee will analyse the detailed product specification ensuring that it meets the demands and needs of the target market. This stage identifies whether the product will provide fair value to customers for a reasonably foreseeable period, and ensures that distribution arrangements will avoid or minimise the risk of negatively impacting fair value.

It will also ensure that safeguards are established to protect customer data and that the risks of financial crime are mitigated.



### **Product implementation**

During the implementation phase, the committee will assess and test whether the systems and processes in place are suitable to deliver the product. It will also review the training provided to customer facing staff to ensure it is detailed and appropriate.

Finally, it will review the communications used to describe and market the product to ensure it is clear and appropriate for the target market.



### **Product monitoring and review**

Following the launch of a new product, or the change of an existing product, a post-launch review will take place. This will assess whether the proposition remains consistent with the needs of the identified target market, fair value assessment and distribution strategy.

It will also identify and recommend changes that may be necessary to address any areas of potential concern.

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