

A summary of our Product Oversight & Governance Policy

Overview

Our Product Oversight & Governance Policy is designed to ensure we have a consistent and holistic approach to product governance across Liverpool Victoria Financial Services Limited (LVFS) and its regulated subsidiaries.

It covers:

- new product developments and existing product enhancements
- on-going product management (including product reviews)
- product closure/withdrawal.

It is operated and governed according to a three-line of defence system.

- **The first line** (comprising elements from operational business units as well as associated support areas) implements and operates the policy.
- **The second line** (primarily represented by our Risk Management function) provides oversight and assurance that the policy is in place and operating correctly.
- **The third line** (Internal Audit) provides independent assurance of the effectiveness of our policy, as well as the intended outcomes.

The objectives of the policy are to ensure that:

- our products are designed to deliver good outcomes and avoid causing foreseeable harm to our customers
- there is a clear, documented target market for each product
- there is a clear distribution strategy for the product, with distribution channels that take into account the target market, its objectives and characteristics
- products continue to meet the needs for which they were designed and as customers would expect throughout their lifetime
- the design of products (and the supporting processes) has appropriate regard to the likely needs of vulnerable customers throughout the product lifecycle
- delivery of products is appropriately governed, and meets regulatory and other legislative requirements (for example, tax and financial crime)
- customers can expect fair value throughout the customer journey/lifetime of their product.

Components of Product Governance

Our Product Governance is underpinned by the following components which are intended to identify and manage risks throughout the entire product lifecycle from product design to launch, through to on-going product management and product review:

- customer and market testing
- product
- pricing and value
- financial risk
- distribution
- servicing
- customer communications and engagement.

An assessment is completed against each of the components, ensuring that the relevant risks are identified, managed and monitored.

Fair value

Assessing 'fair value' is an integral part of our Product Governance and is designed to ensure that the price the customer pays for a product or service is reasonable compared to the overall benefits. It forms part of new product development and enhancements as well as the on-going product management and review processes.

At LV= we have assessed our products as offering fair value across the target market.

When assessing fair value, we look at:

- the target market including any identified groups of customers, its needs and objectives
- the expected proportion of vulnerable customers in the target market
- the product's benefits and limitations, and what services we provide
- the distributors/channels we use
- the expected overall premium
- how much it costs to provide the product and distribute it over a reasonably foreseeable period
- the relationship between the overall price to our customers and the quality of the product and service provided.

We also consider the level of commission and charges that we facilitate to ensure they are not set at a level that would mean the product is unlikely to achieve its objectives and provide fair value.



Product Development and Enhancements

All new product developments and enhancements must go through a number of 'quality gated' approval stages to drive decision making and approval. During these stages the proposal is assessed, against the product governance components listed above.

All proposals are substantiated by customer and market insight/research.

Further concept, product and literature testing then takes place throughout the process to validate customer need and ensure customer and intermediary understanding of product and documentation.

At each stage a review is undertaken by a product development forum with the necessary skills, knowledge and expertise, made up of senior leaders from within the business – including pricing, product, sales, underwriting, claims, customer services, compliance and risk. Final approval to launch is provided by the Business Area MD.

On-going product management (including Annual Product reviews)

All products (including open to new business, and closed products) are regularly reviewed. For all non-investment pure protection products this review is undertaken every year. The process is in place to ensure first and foremost that our products:

- deliver good outcomes for our customers and avoid causing foreseeable harm to them
- remain consistent with the needs of the identified target market
- perform as expected throughout the product lifecycle
- continue to provide fair value
- are distributed appropriately.

The review is based on a quantitative and qualitative assessment of the product governance components, including both internal and external data.

Where we find something that negatively impacts or has the potential to negatively impact customers, either as part of a product review or as business as usual, we will address it as appropriate.

We may also carry out product reviews outside of the usual cycle if an internal issue or external event identifies a need.

Product withdrawal and closure

A product will be considered for withdrawal if it is:

- no longer appropriate for the intended target market
- no longer providing good customer outcomes
- no longer competitive, or commercially viable
- no longer providing, and cannot be amended to deliver, fair value.

Or if it needs to be withdrawn in light of other customer, financial, regulatory or operational considerations.

When recommending a product closure we will complete an assessment against the product governance components, taking into account the impact on and options for existing customers, ensuring fair treatment particularly for those that may be vulnerable.

To find out more about our products and services, please contact your LV= Account Manager



LVadviser.com

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