

## Product Development and Approval Process

Public

This document sets out the Product Development and Approval Process which is applied by British Friendly (the 'Society') to new insurance products and to significant changes to existing insurance products which it manufactures.

### APPROACH

The Society puts the member at the heart of its product approval process, taking a proportionate, data and evidence-led approach. The Society ensures that everyone involved in developing our products understand them and the target market they are designed to serve, and that all development is managed within the Society's risk tolerance.

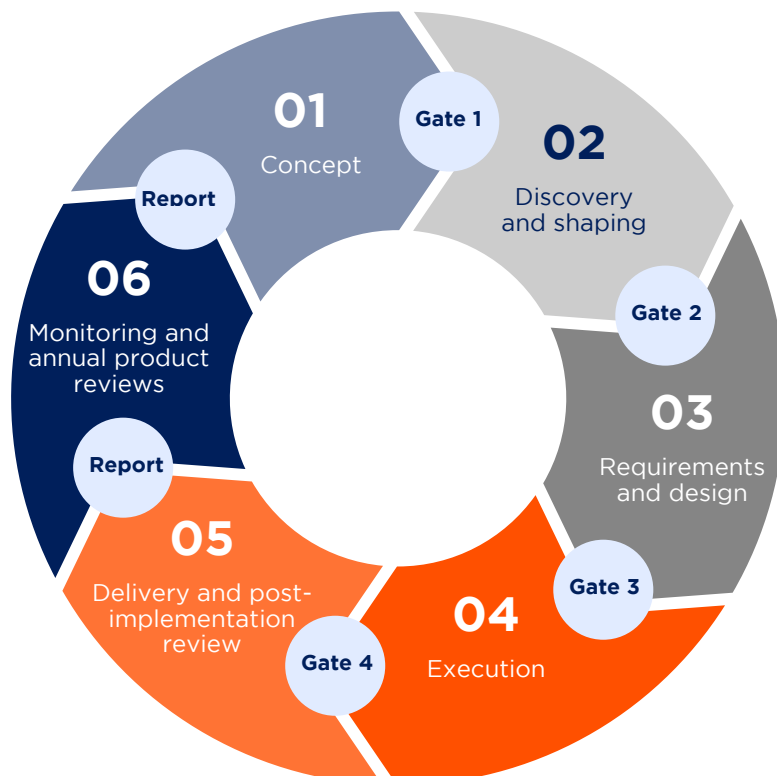
### OVERSIGHT AND GOVERNANCE

The Society's Product Development and Approval Process is subject to oversight from the Society's Product Development and Governance Forum ('PDGF') and, where applicable, the Society's Board via the Risk and Investment Committee.

The PDGF is responsible for reviewing and approving the development of new and existing products. This forum ensures that products are developed within our risk appetite and will conduct a thorough review of the activities undertaken by the Society throughout the Product Development and Approval Process.

The Risk and Investment Committee will also provide oversight at key points throughout the Product Development and Approval Process, in particular where activities carried out under the process are likely to involve the Society entering new markets or are deemed to have an effect on the risk profile of existing products.

### STAGES OF THE PRODUCT DEVELOPMENT AND APPROVAL PROCESS



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## CONCEPT

At the concept stage the Proposition Director will consider whether proposals put forward for development should be taken forward. In making this decision, the Proposition Director will have regard to the Society's appetite to develop new or existing products, whose needs would be met by doing so, the options available to deliver the proposal and the possible distribution strategies and channels.

## DISCOVERY AND SHAPING

At the discovery and shaping stage the proposal, the target market, the distribution strategy and the associated risks and opportunities will be researched and documented in more detail, which will be used to produce a product specification. A plan for delivering the proposal, which factors in regulatory considerations including the impact of the proposal on the Society's regulatory position, will also be produced and an initial customer risk identification assessment, to identify risks to members, will be undertaken and the Society will consider and assess key governance components.

The PDGF and, where applicable, the Risk and Investment Committee will be asked to consider whether the Society should proceed to designing the new or revised product (henceforth 'product') to meet the proposal and provide their approval for us to do so.

## REQUIREMENTS AND DESIGN

At this stage, all requirements required to deliver the product will be collated, and the product and the approach to testing it will be agreed and designed. The PDGF will be asked to consider the requirements and proposed product in making its decision as to whether the product should be built.

## EXECUTION

At this stage, the product will be built and tested, an assessment of fair value will be completed and our approach to pricing the product will be finalised. Approval will be sought from the PDGF and, where applicable, the Risk and Investment Committee to approve the product testing, the fair value assessment, the pricing approach and then the launch of the product.

## DELIVERY AND POST-IMPLEMENTATION REVIEW STAGE

At the delivery and post-implementation review stage, subject to a few final checks, the product will be communicated and deployed to market. Within 6 months of the product being deployed a post-implementation review will be completed using data collected, in order to establish that the product has been deployed to market, and is performing, as expected, that communications relating to the product are not having an adverse effect, that the product is being distributed as intended, that customers adequately understand the product and that the product's value is being maintained and that it remains appropriate for the target market.

The outcome of this review will be reported to the PDGF which will consider and agree any proposed actions.

## MONITORING AND ANNUAL PRODUCT REVIEWS

Products brought to market will be regularly, and for non-investment insurance products – at least annually, monitored and reviewed, taking into account internal and external events and developments, in order to ensure that the product continues to perform as expected and intended, that it remains consistent with customers' needs and provides fair value and that the product continues to be distributed as intended and only to those in the target market who the product is appropriate for.

The outcome of this monitoring and review activity will be reported to the PDGF which, as with the deliver and post implementation stage, will consider and agree any actions arising out of these reviews.