



# UKGI Product Oversight & Governance

## Information for distributors

This document has been produced by Aviva UKGI Limited in accordance with our regulatory responsibilities as a co-manufacturer with Aviva Insurance Limited. It is intended for use by our Distributors and not for customers or operational staff.

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# Protecting customer and business interests

## Introduction

Aviva has well established Product Oversight and Governance controls in place to provide assurance that the activities undertaken throughout the lifecycle of a product are managed to an acceptable standard.

**For customers** -we want the UKGI products we manufacture to provide fair value for a reasonably foreseeable period and support good customer outcomes

**For businesses** - we uphold the high reputational and conduct risk management expectations of today's insurance firms; adhering to legal and regulatory requirements and managing operational risks to industry standards.

We know and understand that, at any time, we must be able to demonstrate to the UK regulator, industry bodies and customers that our products are manufactured to provide fair value and good outcomes.

Aviva's internal Product Development, Approval and Management (PDAM) framework, sets the expected business and customer outcomes for product oversight and governance across all Aviva's UKGI products. These processes and controls are designed to align with the Insurance Distribution Directive (IDD) and Financial Conduct Authority (FCA) PROD 4 requirements for Product Manufacturers and the FCA's Consumer Duty. They have been refined to an optimum level from many years of experience in developing and delivering products to market, via a continuous improvement cycle, incorporating internal and external audit feedback.

# FCA's product intervention and product governance sourcebook (PROD) and consumer duty

- FCA guidelines confirm that compliance with PROD 4 rules meets two Consumer Duty outcomes, including price and value. “Firms meeting PROD 4 value rules for non-investment insurance (or COLL rules for asset management) satisfy the price and value outcome.”
- FCA's four regulatory pillars for supervision and consumer protection are consolidated in the PROD Sourcebook. These form the product oversight and governance framework, setting expectations for systems and controls for manufacturers and distributors

## Product Design

**Product Manufacturers** - primarily responsible for activities under PROD 4.2 relating to products it manufactures only:

- Manufacture of insurance products (see Note 1)
- Product governance arrangements, set out in a written document
- Product approval process
- Fair value assessment
- Target market determination
- Product testing
- Distribution channel selection
- Information disclosure to distributors.

## Product Distribution

**Product Distributors** - primarily responsible for activities under PROD 4.3:

- Distribution of insurance products (see Note 2)
- Product distribution arrangements, set out in a written document
- Obtain information provided by the Product Manufacturer
- Assess the impact of their distribution arrangements on customer value
- Where part of a package distributors must also ensure arrangements do not have a detrimental effect on the intended value of each Manufacturer's product.

## Product Review

**Monitoring and review** of insurance products, annually (or more frequently where appropriate):

- Manufacturer review of the product value
- Distributor review of product distribution arrangements
- Where it is identified a product does not offer value inform one another of any concerns or potential breaches and required remedial actions.

## Customer Outcomes

Additional expectations for manufacturers and distributors in relation to **value measures** (PROD 4.5):

- PMI is exempt from regulation regarding value measures however we recognise this as good practice and have followed FCA guidance to derive our own Fair Value Measures that we use to ensure products offer fair value to customers in the target market.

### Notes:

(1) Firms who, upon overall analysis of activities, are deemed to be Co-Manufacturers must sign a written agreement which specifies their collaboration to comply with certain requirements for manufacturers. Aviva as an Underwriter is always a Manufacturer or Co-Manufacturer.

(2) Not applicable to firms who are a sole Product Manufacturer and also distribute their own products.

3

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# Aviva's product development, approval and management process (PDAM)

The FCA sets out in PROD 4.2.14G that firms must evaluate fair value for both the initial term and renewals of non-investment insurance products over a reasonably foreseeable period. The definition of a "reasonably foreseeable period" depends on the product type, policy term, underlying risk, and how long customers in the target market are expected to keep the product. The information below demonstrates how UKGI considers the requirements of PROD 4.2.14G

## Product development and approval

- At Aviva UKGI we pride ourselves on the **quality** of our products and the strength of our end-to-end proposition development.
- We approach product development in an agile way, using market and distributor insight, and with **good customer outcomes** at the heart of decision-making throughout the product development journey.
- There are a set of formal **approval** steps prior to a product launch or change that must be achieved, ensuring that products are designed to meet customer/client's needs, align with target markets and deliver against a range of value metrics including expected usage and claims acceptance and declinature rates.

## Product Management and Review

- As part of our in-life product governance we have post-implementation reviews to ensure propositions are providing the value, usage and outcomes expected.
- We have a **product review framework**, where products are reviewed annually, assessing performance based on **usage** and **outcomes** such as claims and complaints, and ensuring terms and conditions remain clear, fair and not misleading.
- UKGI evaluates fair value for both the initial term and renewals of non-investment insurance products over a reasonably foreseeable period. The definition of a "reasonably foreseeable period" depends on the product type, policy term, underlying risk, and how long customers in the target market are expected to keep the product.
- This is complimented by our proposition working groups and oversight forums, which bring together the end-to-end functions of the business on a regular basis to identify and take action to improve **customer outcomes** and overall **product value**.

UKGI monitors the external regulatory and commercial environment to ensure our products can continue to offer fair value to customers for the foreseeable period of time. If any factors are assessed as having a potential or actual impact on the value, an additional fair value assessment will be undertaken.

You can be confident we are committed to ensuring the products we manufacture are both compliant and offer fair value.

# Aviva's product development, approval and management process (PDAM) - considerations for fair value and foreseeable period

The FCA sets out in PROD 4.2.14G that firms must evaluate fair value for both the initial term and renewals of non-investment insurance products over a reasonably foreseeable period. The definition of a "reasonably foreseeable period" depends on the product type, policy term, underlying risk, and how long customers in the target market are expected to keep the product.

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## Fair Value

- **Price Changes:** Expected changes in the total price paid by the customer during the product's lifespan, including renewals.
- **Insured Risk Changes:** Changes in the insured risk over time, such as the nature, financial value, or usage of the product.
- **Claims:** Expected changes in the number or value of claims over time due to product nature, customer needs, or insured risk features.
- **Premiums vs. Benefits:** Whether total premiums paid over time exceed the benefits received from claims, considering cover limits and policy excess.
- **Policy Benefits:** Availability of benefits at inception versus subsequent renewals, considering exclusions or claims limits without premium reduction.
- **Renewal Challenges:** Whether customers might be discouraged from renewing due to premium increases, affecting their ability to receive intended benefits.

## Foreseeable Period

- For UKGI annually renewing products, technical prices are set using historical data to predict future performance, including expected claims. Adjustments are made for factors impacting future risk costs.
- This analysis supports both pricing and conduct metrics to assess customer value for each pricing change.
- If product design, services, and benefits for UKGI products remain unchanged, the initial contract period's value continues for the foreseeable period as technical pricing factors remain consistent.
- Customer prices do not change during a policy term for an UKGI product unless a midterm adjustment (MTA) is made, which reuses the initial pricing model.
- UKGI prices and their value are regularly monitored, incorporating changes to risk factors and expected future claims.
- Premiums may increase at renewal due to macroeconomic changes (e.g., inflation) or changes in risk. Benefits and value are assessed regularly via regular meetings and forums where all UKGI products are discussed in detail. In addition, each product is reviewed annually during Product Reviews and via rate reviews (the frequency of rate reviews is dependent on the individual product).
- Aviva may adjust the underwriting footprint if the product falls outside the emerging strategic risk appetite

# FCA value measures reporting

## Aviva's reporting responsibilities:

- The FCA require Value Measures Reporting to be submitted for supervision purposes on an annual basis which is designed to protect consumers by reducing potential for harm from poor value products.
- Aviva as a Product Manufacturer is responsible for submitting the FCA Value Measures Report for the products in scope that we underwrite. Reporting is at an aggregate product class level with our top five distribution arrangements identified by name only.
- To date we have participated in all four Value Measures pilots and following final rules are adopting the FCA's value measures and definitions as the industry standard for use in our internal and contractual reporting.
- Where Aviva's product design include covers provided by third parties we have arrangements in place to receive the required MI to include in our submission too.

Commercial Lines isn't subject to Value Measures but it should be considered whether there is a consumer element to the product and whether Value Measures reporting is required (e.g. a CL Motor product which may have a consumer angle to it)

## The Reporting Process:

### Pre-submission

- Monthly monitoring of value measures as part of Aviva's internal conduct outcomes reporting.

### Preparations for submission - we will:

- Collate the data for the reporting period ending 31 December
- Apply the reporting thresholds (3,000 policies, £400,000 written premiums)
- Notify our top five Distribution arrangements identified
- Prepare commentary to accompany submission of data for internal approval prior to submission.

**Submit Report** on or before 28 February.

### FCA publishes four measures (expected Q2):

- Claims frequency
- Claims acceptance rate
- Average Claims pay-outs
- Claims complaints as a percentage of claims

### Post publication - we will:

- Benchmark Aviva to peers, issue a media statement where appropriate
- Where relevant use benchmarking of published data in annual product reviews.

# FCA value measures data

## Interpreting the Value Measures data published

- Aviva has a wide range of products offered through multiple channels and our Distributors benefit from this broad experience and economies of scale.
- Our mix of business means the data published will not be comparable to the individual Distributor propositions we provide. This is because the data is aggregated and includes products at different stages of their lifecycle and for a variety of customer needs, ranging from essential cover to enhanced high net worth policies.
- We cannot share Aviva’s detailed full data submission for the required 15 Value Measures submitted to the FCA however agreed contractual management reports will continue as usual.
- Data for the four measures that will ultimately be published by the FCA will enable the Regulator, Distributors and others to benchmark Aviva’s overall performance. Additionally we will use this information to benchmark ourselves against our peers.
- Where we identify themes and actions these are included in the value assessment of our annual product review process.

## Relevant Value Measures Reporting Category that Aviva will submit data for

Gadget (including mobile phone) Stand-alone
Home – buildings only
Home – contents only
Home (buildings and contents combined)
Home emergency Stand-alone
Legal expenses – home
Legal expenses – motor
Motor
Motorcycle
Travel – Annual European
Travel – Annual Worldwide
Travel – single trip Stand-alone

Notes: The above list excludes products that Aviva provides which are reported by other firms or below the threshold. Also where Aviva provides covers included within the main policy or sold as an optional extra or a cover extension of the policy and is not a separate contract then that cover is reported as part of the reporting for the main policy. Except for legal expenses which must be reported separately.



# FCA PROD4 rules – information we share with distributors

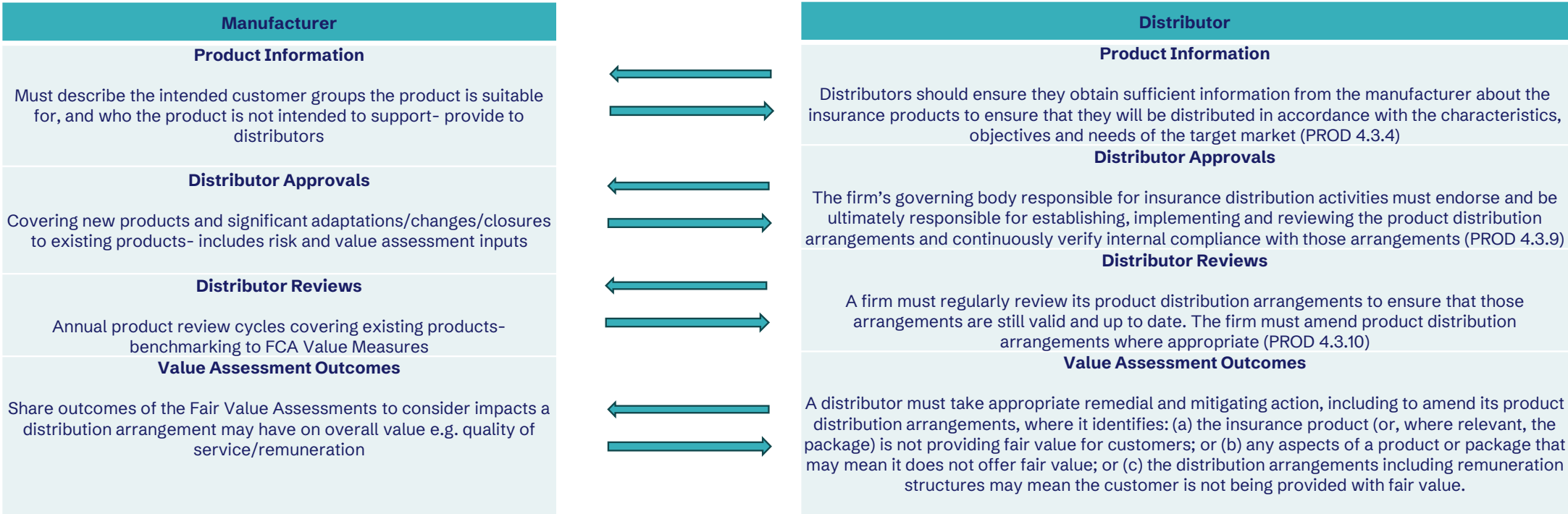
Aviva, as Product Manufacturer, expects to share the following information with you either as a separate document or communicated via our joint management meetings.

 <p><b>Product information</b></p>	 <p><b>Product approval process</b></p>	 <p><b>Target market statement</b></p>	 <p><b>Product review value assessment outcome</b></p>	 <p><b>Distributor responsibilities</b></p>
<p>Provided separately and/or if applicable:</p> <ul style="list-style-type: none"> <li>Insurance Product Information Document (IPID)</li> <li>Policy Summary</li> <li>Policy Wording.</li> </ul>	<p>Provided in this document:</p> <ul style="list-style-type: none"> <li>Applicable for propositions developed by Aviva as Product Manufacturer.</li> </ul>	<p>Provided separately, containing:</p> <ul style="list-style-type: none"> <li>Information about who the product is designed for and suggested distribution strategy.</li> <li>Who the product is not designed to support (negative target market).</li> </ul>	<p>Completed annually by Aviva as Product Manufacturer:</p> <ul style="list-style-type: none"> <li>Value assessment outcomes shared in joint management meetings.</li> <li>Relevant concerns, breaches or remedial actions.</li> </ul>	<p>Distributors need to assess impact of distribution arrangements on customer value.</p>

• Where appropriate, following our assessment of the product’s value, we will inform you of any factors that may affect the intended value which may not have been fully accounted for in our assessment. This includes, for example, your own fees, charges, or the bundling of this product with others not manufactured by Aviva. You should consider these factors to ensure the product continues to deliver fair value to customers.

Note: For Co-Manufacturing arrangements, the information shared shall be in accordance with our written agreement.

# Distribution requirements



**Manufacturer Information Sharing**

**PROD 4.2.29(A)** - For a non-investment insurance product, the information required by PROD 4.2.29R should include:

- (1) all appropriate information to enable the distributor to understand the intended value of the insurance product established by the firm;
- (2) any effect the distributor may have on the intended value that has not been fully taken into account by the firm when assessing value, and therefore which the distributor should take into account; and
- (3) any type of customer for whom the insurance product is unlikely to provide fair value.

**PROD 4.2.30** - A manufacturer must provide a distributor with all appropriate information on the insurance products, the identified target market and the suggested distribution strategy, including information on the main features and characteristics of the insurance products, their risks and costs, including implicit costs, and any circumstances which might cause a conflict of interest to the detriment of the customer.

**Distributor Information Sharing**

**PROD 4.3.10 (4)** - To support product reviews carried out by manufacturers, a firm must, upon request, provide manufacturers with relevant sales information, including, where appropriate, information on the regular reviews of the product distribution arrangements.

**PROD 4.3.11** - A firm becoming aware that an insurance product is not in line with the interests, objectives and characteristics of its identified target market or becoming aware of other product-related circumstances that may adversely affect the customer must promptly inform the manufacturer and, where appropriate, amend their distribution strategy for that insurance product

Please note Distributors need to ensure that product governance and fair value assessments are conducted in line with obligations under PROD 4 for any Aviva-manufactured products that you distribute. Please refer to your Terms of Business Agreement for full details.



# UKGI Product Approval Process

The Proposition Development Approval and Management (PDAM) Process provides a structured approach to assess, approve, and monitor all new proposition developments, changes to existing propositions, and ongoing reviews. The process is divided into five distinct stages (or 'gates'), with formal approval required at each stage before progressing. This framework concludes with a Post-Launch Review, followed by continuous monitoring of performance and customer value through the Proposition Review cycle.



# Aviva's Product Approval Process

Aviva's Product Approval Process provides a structured approach to ensure all new product developments and significant changes to existing products meet regulatory, customer, and business requirements. The process is divided into three key stages:

- Product Approval** - covering design, development, and risk assessment.
- Launch Approval** - Final checks to ensure readiness for launch and alignment across all areas.
- Product Review** - ongoing monitoring to ensure continued customer value and compliance.

Each stage includes formal approval steps and supporting checks, with performance and customer outcomes assessed through post-launch monitoring and annual reviews.

## Product Approval

### Product Design and Development

Provides an overview of the development in relation to customer needs and business strategy.

- Identify the target market and customer needs that the product addresses
- Define how the product aligns with the business strategy
- Consider product complexity, potential harm and fair value
- Outline how the development will be managed and financed
- Identify key stakeholders involved in the process

### Product Build and Risk Assessment

Defines the blueprint for delivery including infrastructure, risk management and customer engagement.

- Details the key activities across all areas to ensure the product/proposition is fit for purpose
- Assess all relevant risks to the target market and distribution channels.
- Implement measures and indicators to monitor risks and customer outcomes
- Conduct scenarios analysis and product testing

## Launch Approval

### Product Launch Checklist

Ensures that risks and dependencies have been managed and operational areas are ready to support the development.

- Details any changes to the development or risks since product approval
- Seeks input from all relevant stakeholders to validate readiness for the product launch.
- Confirms risk acceptance and compliance with governance criteria
- Document post-launch monitoring plans for customer usage, value and operational performance.

## Product Review

### Product Oversight & Governance

Ongoing monitoring that the product provides value to customers.

- Assesses a range of customer outcome indicators to determine that the product continues to provide value to customers
- Identify and track corrective actions where needed.
- Share performance and outcomes insights with Distributors.

# Aviva's operational risk and control management (ORCM)

## How do we manage risk at Aviva?

- Operational risk and control management (ORCM) is the **framework** we use to manage risk.
- We use the '**3 Lines of Defence** model' at Aviva which is consistent with expectations for corporate governance, systems and controls, widely adopted by financial services companies and recognised by the UK **Regulator**.
- Aviva's business leaders are **accountable** for the identification and management of operational risks that could impact customer outcomes and financial performance in their business areas.
- We use an IT system called **iCARE** to manage our operational risks and controls at Aviva. Additionally, we also use QlikSense for analysing and reporting purposes to support our business leaders and Boards understand our operational risk profile and monitor management actions.

## Why is ORCM important?

- Aviva has been assessing and managing risk for over 300 years, it's in our **DNA**.
- Of course, sometimes things do go wrong - but how businesses **respond** can have a positive effect on the overall impact on customer and business **outcomes**, so we undertake root cause analysis of issues to prevent them from happening in the future.
- Our ORCM framework also helps us **demonstrate** how we meet the FCA's conduct rules, in line with Aviva's values and purpose, by monitoring and having oversight ensuring we:
  - Act with integrity.
  - Act with due skill, care and diligence.
  - Be open and cooperative with the FCA, the PRA and other regulators.
  - Pay due regard to the interests of customers and treat them fairly.
  - Observe proper standards of market conduct.

We fix the problem and identify the root cause, so it doesn't happen again.

# It takes Aviva

**For more information, please speak to your usual Aviva representative.**

**This document contains general information and guidance only and may be superseded and/or subject to amendment without further notice.**

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