

Overview of Zurich's product development process

Zurich has a well-established proposition development process which is reviewed on an annual basis to reflect the needs of the business and the expectations of our key stakeholders.

In particular, the FCA has laid down clear expectations for a provider's product approval process, building on their previously expressed greater appetite for earlier product intervention. The process described in this summary document reflects these raised standards.

This development process is followed in all our product developments in the UK Life market. This process also applies to any products that are going through a significant adaptation. For example, new features which could alter the target market of the product or the risk profile of the product for existing customers.

Zurich's product development process has been built to ensure it is:

- Customer centric
- Adheres with Zurich Risk Policy
- Simple and efficient
- Commercially minded
- Flexible and agile – not tied to any particular type of development or delivery approach
- Fully compliant with all regulation and legislation

The product development process

Zurich's product development process follows 8 main steps:



Ideaation

- A high level assessment of the 'idea' is carried out and presented to senior stakeholders to allow appropriate prioritisation within Zurich's development roadmap.
- If approval is given this can then progress to the next stage.



Idea testing

- The **idea testing** phase of the process further explores the high level assessment.
- Customer and distributor research is carried out to enable the development group to validate the customer need and market opportunity.
- A high level benefits case is then produced and a risk analysis will be carried out including assessment of any areas for potential customer detriment.
- At the end of this phase, the proposed proposition is previewed at our product approval governance committee to ensure that consideration has been given to the relevant customer outcomes and risks.
- Approval is then given by the project sponsor to proceed to feasibility.



Feasibility

- A project development group is formed to produce the key project documents (product specification, proposition approval paper, business case, pricing paper). Within these documents, due consideration is given to the following areas:
 - The target market of the product and who it is not suitable for.
 - Customer journey.
 - Pricing strategy.
 - Distribution approach and any conflicts of interest.
 - Fair value assessment
 - Research on the final product design.
 - Scenario testing of customer outcomes.
 - Analysis of risks and any mitigators.
- Once completed, these documents are presented to our product approval governance committee for formal approval to proceed to build.
- Where appropriate, approval may also be sought from the UK Life CEO and our global product approval governance committee. These additional approvals will be where Zurich is entering new markets or developing products that introduce new risks to the business.



Project delivery

- If approved, a project team is formed to deliver the development following Zurich's standard project governance process working with various departments within Zurich and outsourcers where relevant.
- During this phase, there may be a requirement to go back for further approvals if any material changes are required or identified during the build.
- At the end of this phase, a business readiness Go/No Go checkpoint will be scheduled to ensure that all of the relevant business areas are happy to proceed to launch. This will include representatives where relevant from propositions, IT, compliance, risk, legal, tax, operations and sales.



Take to market

- The **take to market** phase of the product development process includes distributor training, market launch, campaigns etc.
- Creation of or update to the target market statement for the product.
- All marketing and campaign material receives a technical sign-off and goes through the financial promotions team for approval.
- In practical terms the take to market plan and activity is progressed alongside the product delivery phase but cannot proceed until business readiness has been approved.



Proposition management process

- Following successful launch, the project will then **hand over to the Proposition Management** team.
- This will include production of a Propositional Positioning Statement that covers the main content from the project approval documents such as rationale for the product, high level propositional features, target market, distribution strategy, customer outcome and any risks.
- This handover also includes development of a suite of key performance indicators for ongoing monitoring of customer outcomes which is done on a monthly basis. This is designed to help enable early intervention where we see there is a risk of negative customer outcomes emerging in the proposition.
- The proposition will also be added into Zurich's product review plan where a full assessment of customer outcomes and experience is carried out at least once every five years. For pure protection products, a fair value assessment will be carried out annually and approved at our product approval governance committee.



Post implementation review

- The next phase of the development process is the **post implementation product review**.
- A review of the end-to-end development process is carried out by the development team and any learnings are incorporated into the process for the next development.
- This also includes a review of early experience monitoring of the product to check there are no unexpected outcomes from the development.



Ongoing review and feedback

- The final phase of the process is **ongoing review and feedback**.
- During the lifetime of the product learnings from the management of the product will be fed back into new ideas or improvements to the current product range.
- This will include feedback from customers, complaints and from the regular product review.



Fair value assessments

- For all pure protection products, the fair value assessment will take into account the price paid by the end customer, the distribution channel through which the product is sold and a review of the product performance and service.
 - Where appropriate, we will group products together for the assessment where they are intended to deliver a similar outcome and the target markets are consistent.
 - To ensure that there is not an unreasonable relationship between the price paid by the customer and the costs and risks incurred by Zurich, we will review the breakdown of the premiums we charge. As part of this review, we consider the constituent parts of the premium including but not limited to expected claims, commission, operational costs and profit. We also conduct a review of all of the assumptions used that apply to our pricing basis to ensure we are using the appropriate information when setting prices for new or reviewing business and increments for customers.
- The assessment also includes a review of the performance of the product and the service provided. In order to assess this information, an in-depth review of our customer feedback and complaints is carried out to ensure the features and benefits of the product are performing as expected, to ensure the operational services are providing the level of service expected or to help identify if there is a systemic issue that might be affecting the intended value of the overall proposition.
 - The review includes an analysis of the reasons behind any declined claims to enable us to confirm that the product has clear claim definitions that are understood by the target market. The analysis of claims will also take into account the claim handling times to ensure that the product delivers the expected customer outcomes as intended.
 - Once completed, the summary of the results from the above fair value assessment for each product group will be formally approved through our product approval governance committee.
 - In addition to the fair value assessment carried out for each product, an assessment of our distribution agreements is carried out separately through our distribution governance committee. On an annual basis, we will assess the distribution arrangements through which the products are distributed and where required contact the distributors to provide evidence of the services they provide to customers in our target market so we can assess if any additional costs paid by the customers provide fair value. This will include examples such as, where the additional cost is part of the premium paid by the customer or where these costs are paid directly to the distributor.