Annexure A

PRODUCT MANAGEMENT & PRICING POLICY

Owner: CEO & Managing Director

Version	Effective Date
1.0	On or after 15th July 2022
1.1	On or after 1st Apr 2024

Product Management & Pricing Policy (PMPP)

1. Background

The PMPP (herein referred as “Policy”) is framed in line with the IRDAI (herein referred as “Regulator/Authority”) directions notified in the Insurance Regulatory and Development Authority of India (Insurance Products) Regulations, 2024 (herein referred as “Regulation”), as amended from time to time.
To adhere to the Regulatory framework as directed by the Regulator, Aviva India has revised and re-drafted the existing policy.

2. Purpose and scope

2.1 Introduction

The Policy is framed to ensure that Regulatory requirements for filing/modifying the new/existing products and riders are executed as per the Regulations notified by IRDAI, as amended from time to time.

The policy shall be reviewed from time to time with any change in the regulatory provisions or change in the Pricing policy of the Company for further approval from the Board of Directors of the Company (herein referred as “Board”).

The Policy approved by the Board shall be termed as Board Approved Product Management & Pricing Policy (BAPMPP).

2.2 Product Management Committee (PMC)- Constitution

A Board approved committee comprising of Appointed Actuary, Chief Investment Officer, Chief Legal and Compliance Officer, Chief Marketing Officer, Chief Distribution Officer, Chief Operations and Customer Services Officer, Chief Finance Officer, Chief Technology Officer is being formed. The PMC shall be chaired by the MD&CEO and shall be called ‘Product Management Committee’.

The quorum for the Product Management Committee shall be 3 members in addition to Appointed Actuary.

2.3 PMC-Scope

2.3.1 Product management committee shall be responsible for ensuring:

i. implementation of the Board approved policies covering all areas of product design, underwriting, advertisements and overall management of the insurance products

- i. Adherence to principles of design and pricing of insurance products;
- ii. Appropriateness of the product design for the target market;
- iii. Regulatory compliance and recommending products for filing under File and use procedure, as applicable;
- iv. Products falling under Use and file category are approved;
- v. Periodical review of product performance, market conduct issues including grievances and taking up corrective actions, as may be necessary;
- vi. Modification or withdrawal of the product, if required;
- vii. Overall management of the insurance products;
- viii. Maintenance of documentation of the decisions taken for each product for inspections of the Competent Authority.

2.3.2 PMC shall recommend the launch of approved insurance products, only after ensuring that all the processes, suitable infrastructure, system requirements and standard operating procedures are in place on an ongoing basis from policy issuance to claim settlement, including determination of reserves & solvency margin and for seamless operations of the insurer including policyholders' servicing on a day-to-day basis.

2.3.3 The PMC shall ensure:

- ➢ That all the matters referred under regulation 6(1)(b) of IRDAI (Insurance Products) Regulations, 2024, as amended from time to time is complied with;
- ➢ Management of products and its pricing is in line with BAPMPP;
- ➢ That the benefits reflecting in sales literature, terms and conditions reflecting in policy document shall be consistent with the design approved;

2.3.4 The PMC shall carry out proper due diligence process and record its concurrence/sign off on various product related risks (such as risks related to capital requirements, profitability, underwriting, reinsurance etc.) and recommendation / approval of the product, as applicable

2.3.5 The CEO of the insurer shall have an overall responsibility for ensuring that a robust due diligence process is in place to mitigate risks arising from the products and will countersign the relevant certifications.

2.3.6 The PMC shall review and approve the products/riders in line with BAPMPP before filing with the Authority under Use & File procedure for New as well as Existing Products/Riders

2.3.7 The PMC shall ensure that products/riders which are allowed under the captioned IRDAI circular are only filed/launched as per U&F procedure

2.3.8 The PMC shall ensure that the Benefits reflecting in sales literature, Terms and Conditions reflecting in Policy document shall be consistent with the design approved.

2.3.9 The PMC shall carry out a due diligence process and record its concurrence/sign off on various product related risks (such as risks related to capital requirements, profitability, underwriting, reinsurance etc.) to ensure proper product design, appropriate pricing, and filing with the Authority with complete compliance of regulatory requirements.

2.3.10 The PMC shall issue the System Readiness Certificate as the delegated risk committee for products.

2.3.11 The CEO of the insurer shall have an overall responsibility for ensuring that a robust due diligence process is in place to mitigate risks arising from the products.

2.3.12 Chairperson of PMC if different from the MD CEO, AA and CEO need to provide certification at the time of filing.

2.4 Compliance

The modification in existing products/riders and/or filing of new products/riders should be in line with the captioned IRDAI directions as applicable from time to time.

Some of the general aspects which are to be fulfilled by the PMC while approving the products/riders under Use & File (U&F) procedure are as mentioned

2.4.1 Compliance with the Insurance Act, 1938, Regulations and directions of the Authority, and all other extant norms as applicable.

2.4.2 Compliance with additional guidance including any check-list issued/communicated by the Authority from time to time

2.4.3 As part of product design and development cycle, every insurer shall ensure that:

a. Evolving risk coverage needs of the customer are taken into account while developing new products and revising existing products;
b. Product covers an insurable risk with an underlying risk transfer;
c. The products offered are simple to understand and not complex;
d. There is transparency and clarity in wordings, terms, coverage, exclusions and conditions;
e. Policyholder's interests are protected;
f. The basic principles of insurance like insurable interest, indemnity, utmost good faith, etc. are adhered to;
g. All the risks relevant to the products are appropriately considered in the pricing;
h. The premium rates are fair and not excessive, inadequate, unfairly discriminatory and provide value for money;
i. All relevant factors such as risk appetite, capital availability, claim experience, reinsurance costs, guarantees, options are considered;
j. Products are viable and self-sustainable;
k. Market conduct practices are appropriate and fair;
l. Appropriate systems, procedures relevant to the product, such as underwriting, pricing, reinsurance, claims management are in place.

2.4.4 The premium rates/charges, benefit structure, terms and conditions are workable and sound, the underlying assumptions are reasonable and premium rates/charges are fair and appropriately reflect benefits and terms & conditions of the product.

2.4.5 The premium derivation, rating process and discount offered / loading applied shall be unambiguous and objectively defined such that similar risks shall not be discriminated in terms of premium being charged.

2.4.6 The premium rates and charges have been derived using generally accepted actuarial principles. A few examples are given below:

2.4.6.1 Premium rates/ charges/ benefits under life insurance products vary by age.

2.4.6.2 There is consistency between the investment return assumption and assumption for inflation of expenses while deriving premium rates.

2.4.7 The above list of generally accepted actuarial principles is only indicative and not exhaustive.

2.4.8 Pricing basis is in line with the insurer’s own experience, to the extent applicable.

2.4.9 There is consistency between the pricing assumptions and the valuation assumptions used for profit testing, to the extent applicable.

2.4.10 The premium rates/charges are equitable between policies sold through different distribution channels.

2.4.11 If there is a feature such as settlement option/income option/inbuilt income option etc. where benefits are payable in instalments on death or maturity, the instalment/income period shall be reasonable.

2.4.12 The products/riders shall be financially viable at the portfolio level

2.4.13 The profit margin shall be reasonable considering all the risks associated with the product

2.4.14 The information submitted shall be consistent across all the filed documents.

2.4.15 Proposal form contains particulars which are in conformity with the provisions of Section 41 & 45 of the Insurance Act, 1938.

2.4.16 The premium basis shall be supported by comparison of actual experience with the assumption over a period of 3 to 5 years under that product/rider and/or that product segment/rider segment.

2.4.17 The product/rider shall be offered in the market only as per the filed documents.

2.4.18 The Company shall build up, maintain and monitor the experience under all the distinct covers (including base and rider covers) separately.

3. Product Management Committee- Roles and Functions BAPMPP

The role of the following designates are only indicative in nature and are not limited to as specified.

Appointed Actuary

(a) To ensure that due diligence has been carried out on the product development process and pricing in accordance with regulatory stipulations in force
(b) To document all the assumptions used in product pricing and the rationale of those assumptions
(c) To analyse the financial implications of risks covered in the product and build these into the pricing/profit/sensitivity testing/reserving as applicable
(d) To confirm that the pricing/profit testing/valuation bases are consistent with the past, current experience and set in line with any emerging trend in the future
(e) Analyze the impact of product on the capital and solvency margin and inform the management and board of additional capital requirement, if any, to maintain solvency margin
(f) To ensure the availability of sufficient Actuarial resources in respect of products filing with the Authority
(g) All products, offered for sale, shall be reviewed by Appointed Actuary at least once a year taking into account:

i. The reasonable expectation of all stakeholders, including policyholders;
ii. Financial viability of the products;
iii. Emerging risks and experience under the products;
iv. Any other relevant factors.

(h) Appointed Actuary shall present the results of such review to the PMC and make suitable recommendations for any modifications or withdrawal of the product.

Chief Operations and Customer Services Officer

(a) To check and confirm that the product is in conformity to the board approved Underwriting policy of the company and that the Underwriting policy is relevant in the context of evolving regulatory regime and market complexities
(b) To determine and inform the PMC about the data and system requirements, both at the time of underwriting and claims and during the tenure of the policy, to enable the Company analyze the emerging experience of the product on a regular basis

Head-Products

(a) To check and confirm that the product and its features satisfy all the Basic principles of insurance
(b) To check and confirm that the product is customer need based, the contingencies covered are clear and provide transparent cover which is of value to policyholder.
(c) To check and confirm that all the literature relating to the product is in simple language and easily understandable to the public at large
(d) To coordinate/involve the Company`s external/internal Legal expert/Head for the purpose of Policy wordings
(e) To ensure that approved customer facing documents/literature are published on Company's

website

Chief Financial Officer

To sign-off on the Acquisition Cost incurring in first policy year as assumed in actuarial assumption

(a) To confirm that the accounting for the product premium and claims shall be done in accordance with Indian GAAP/regulatory stipulations

(b) To apprise the PMC about the tax implications of the product, if any

(c) To coordinate with AA in identifying the additional capital requirements that the product may pose.

(d) To ensure compliance to Expense of Management Expenses at per extant Regulations for the products in questions

(e) To check that the commission structure is decided basis the Board Approved Commission Policy.

(f) To monitor the commission structure is reasonable and not result in excessive compensation for intermediaries at the expense of customers or the insurer.

(g) To monitor that the Intermediaries are compensated fairly for their work, regardless of their size or bargaining power.

(h) To assess whether the commission structure encourages good distribution practices of intermediaries.

Chief Distribution Officer

(a) To identify the target segments to which the product would be offered

(b) To indicate the volume of business that the company plans to achieve over future three years in respect of the product being filed/launched.

(c) To confirm that the product would be offered only through authorized modes of distribution

(d) To confirm that all the external distributors and company direct sales staff would be appropriately trained in the product and sales process

(e) To mange the conduct risk

Chief Marketing Officer

(a) To provide Market trends/customer needs and competitive landscape
(b) To define product positioning and messaging
(c) To develop go to market strategies for new product launches
(d) To ensure there is brand consistency and integrity across brand communications
(e) To leverage market analytics to assess campaign effectiveness customer acquisition cost and other key indicators to optimize product performance
(f) To facilitate cross functional collaboration b/w marketing other departments
(g) To ensure the website is ready for the launch as per the established timelines and compliances

Chief Compliance Officer

(a) To ensure that the product development process, including reporting requirements to Authority are followed by the company in letter and spirit

(b) To ensure that the product does not breach any of the applicable laws, regulations and extant guidelines, circulars and directions

(c) To monitor the business activities of the insurer and ensure that all products being offered by the insurer is in compliance with extant regulations, circulars, guidelines and applicable Acts

Chief Technology Officer

(a) To ensure the system readiness certificates at the time of launch of the product

(b) To ensure correct maintenance of the policy status at any given point of time as per the agreed Business Requirement Document for the products.

(c) To ensure the supply of the required data at the time of the annual valuation, as and when required etc.

Head Legal

(a) To review and sign off the product Terms and Conditions
(b) To ensure all the benefits, definitions are commensurate with the product structure as per the FnU

Chief Investment officer (CIO)

(a) To give a view on the future and current trend of Interest rates for all interest sensitive products e.g. non linked savings
(b) To give a view on the Fund Growth Rate of any new fund launched by the Company

Chief Executive Officer (CEO)

CEO shall have an overall responsibility for ensuring that a robust due diligence process is in place to mitigate risks arising from the products.

4. Pricing Policy

Following should be ensured while Pricing/profit testing any product design:

1. Benefits should contain Life insurance or any other insurance events as permitted by the Regulatory provisions
2. Major death/survival/surrender/paid-up benefits should be priced/profit tested using generally acceptable actuarial principles
3. Actuarial Assumptions should be based on the past, current and future trend considering the nature and term of the product
4. Pricing/Profit testing can be done using whatever approach/methodology acceptable under actuarial profession e.g. Traditional Embedded Value, Market Consistent Approach, Risk Based Capital etc.
5. However, for IRDAI purpose the past practice should be followed until the same is changed by the Authority
6. Sensitivities of the main actuarial assumptions should be shown in the pricing report, if any, or otherwise
7. Pricing/profit testing models of all such products modified via U&F route after the implementation of the BAPMPP should be maintained in record for audit purpose
8. Pricing of any complex benefit structure should be peer reviewed within the actuarial team
9. If the product needs reinsurance intervention, the same should be obtained before launch of the product via email and then on formal treaty basis.
10. Pure Risk Products where reinsurance is of significance should be negotiated with at least 2 reinsurers for terms and condition. However, the final decision in this matter will be of the Appointed Actuary
11. Long term (>= 5 years) products should be modelled in parallel on any prevalent Actuarial Software which shall be used for Reserving and Reporting purpose once the product is launched. The outcome of the pricing/profit testing model (before launch if different) should be consistent with the outputs of the Actuarial model (after launch if different)
12. Key Performance Indicators e.g. VNB- Pre/Post Solvency, Payback Period, NB Strain, Sol-II etc should be specified for all long term (>= 5 years) products. However, for short term products, the decision to show any KPIs is based on Appointed Actuary decision
13. CIO to provide rationale and sign-off the likely economic scenario around interest rate for longer term products.
14. Is in line with the overall underwriting and claims management policy of the Company

5. BAPMPP- Monitoring Mechanism

The adherence and implementation of the Product Management & Pricing Policy shall be the joint responsibility of the members of the Product Management Committee

6. Exclusion

None

7. Annexure

Insurance Regulatory and Development Authority of India (Insurance Products) Regulations, 2024

8. Amendments to Annexure

The policy has to be read in conjunction with the annexure which will be modified from time to time as per regulatory updates.

9. Review

The policy shall be reviewed to adopt any changes required due to amendment carried out by the Authority from time to time in product Regulations / master circular and changes in the pricing policy of the Company.