



Product Design & Distribution Policy

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Product Design & Distribution Policy

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1. Introduction

- 1.1 The purpose of this policy is to detail the product design approach, including principles and standards that ensure Youi meets its regulatory obligations in ensuring our products are appropriate to meet Customers who are in the Target Market's needs.
- 1.2 Youi designs its products to ensure it is target market plausible and appropriate to Target Market needs, is competitive within the market and delivers value for money.
- 1.3 Our robust product design steps align to our risk management framework with comprehensive decision support through complete and consistent processes including assessment procedure for determining distribution meets the Target Market's need.
- 1.4 This Policy supports Youi's values and culture, high standards of conduct and the ethical behaviour that is expected of all Youi employees.

2. Scope

- 2.1 This Policy applies to the Youi Group, consisting of Youi Holdings Pty Ltd ("**Company**") and each of its subsidiaries. "**Companies**" or "**Youi Group**" in this document means each of the Company and each subsidiary.
- 2.2 It incorporates the OUTsurance group requirements, as far as applicable.
- 2.3 This Policy applies to all Youi Group employees, service providers, and contractors in all Youi Group locations.
- 2.4 All Youi employees are required to abide by this Policy.
- 2.5 The Youi Code of Conduct contains guidance on the process of disclosing a breach to this Policy. The raising of breaches, or potential breaches, of a Youi policy forms an integral part of Youi's risk management framework.



3. Definitions

3.1 Key terms to support the comprehension of this Policy are in the table below.

Term	Definition
3.2	<p data-bbox="285 723 389 750">Company</p> <p data-bbox="568 723 1406 819">Youi Holdings Pty Ltd (ABN 41 124 972 425), an Authorised Non-Operating Holding Company on and from 1 March 2008 under section 18 of the Insurance Act 1973 and the Level 2 Head of the Youi Group comprising itself and its subsidiaries being:</p> <ul data-bbox="568 842 1406 1200" style="list-style-type: none"> <li data-bbox="568 842 1406 938">• Youi Pty Ltd (ABN 79 123 074 733) (“Youi”), authorised to carry on insurance business in Australia on and from 1 March 2008 under Section 12 of the Insurance Act 1973; <li data-bbox="568 954 1406 1014">• Youi NZ Pty Limited (CN 4476298) (“Youi NZ”), a non-regulated subsidiary, which provides call centre services to Youi; <li data-bbox="568 1030 1406 1059">• Youi Properties Pty Ltd (ABN 604 123 873), a non-regulated subsidiary of Youi; and <li data-bbox="568 1075 1406 1200">• Youi Holdings Share Option Plan Managers Pty Ltd (ACN 131 122 908), a non-regulated subsidiary, which acts as trustee under a Trust Deed dated 30 May 2008 for purposes related to an employee share option plan established by the Company.
3.3	<p data-bbox="285 1256 485 1312">Companies or Youi Group:</p> <p data-bbox="568 1256 975 1283">Each of the Company and each subsidiary.</p>
3.4	<p data-bbox="285 1361 421 1388">OUTsurance</p> <p data-bbox="568 1361 1406 1529">OUTsurance Holdings Ltd (Reg No. 1997/022260/06, South Africa), which holds the majority of the shares in the Company through OUTsurance International Holdings Pty Ltd (Reg No. 2007/004026/07, South Africa). Rand Merchant Insurance Holdings Limited (Reg No. 2010/005770/06, South Africa) (“RMIH”) is the ultimate holding company of the Company.</p>
3.5	<p data-bbox="285 1579 389 1606">Customer</p> <p data-bbox="568 1579 1394 1675">A person holding or enquiring about holding a Youi insurance product, an authorised person on a Youi insurance policy, or a person who is not insured with Youi but to whom the benefit of a Youi policy extends.</p>
3.6	<p data-bbox="285 1724 336 1751">Peril</p> <p data-bbox="568 1724 1134 1751">Any event, situation, or incident that causes damage or loss.</p>
3.7	<p data-bbox="285 1800 352 1827">Policy</p> <p data-bbox="568 1800 1235 1827">This is the binding legal contract that documents your insurance cover.</p>
3.8	<p data-bbox="285 1877 384 1904">Products</p> <p data-bbox="568 1877 1251 1904">Youi insurance agreements detailed by a Product Disclosure Statement.</p>



	Term	Definition
3.9	Product Disclosure Statement	A document that insurance companies must give you by law, which describes in clear terms the terms and conditions of your policy. It is important to take the time to read and understand it.
3.10	Rates	A unit of cost that is multiplied by an exposure base to determine an insurance premium. An insurance rate is the amount of money necessary to cover losses, cover expenses, and provide a profit to the insurer for a single unit of exposure.
3.11	Risk Pricing	Premiums that Youi calculates to reflect the relative risk of each policyholder. A policyholder that is considered higher risk than another policyholder may pay a proportionally higher premium. Risk pricing provides an incentive to the policyholder to manage risks and avoid losses where possible.
3.12	Reinsurance	Insurance Youi places with other entities to insulate itself from the risk of a major claims event and remain economically viable.
3.13	Target Market	Statements to provide distributors and customers with clarity on who the product is intended for, and who it is not and how the product is offered to customers.



4. Product Design Policy Principles and Standards

The product design policy principles and standards are designed to act as a minimum standard for meeting Youi's obligations to ensure its product design and distribution steps are target market plausible and appropriately meet the Target Market's needs.

4.1 Principle 1: Price

- 4.1.1 Products will be designed so that they can provide consumers cost effective insurance cover.
- 4.1.2 Products will be designed so that they can be supported by cost effective reinsurance arrangements that limit risk and provide a buffer against earnings volatility.

4.2 Principle 2: Service

- 4.2.1 Describe product features in a way that is clear, concise and easy to understand.
- 4.2.2 Design simple products that are easy to understand, sell and service – complex products and over-elaboration on product design and options can push up cost ratios and result in a less competitive product. This will help maintain a low cost ratio and a high benefits ratio.
- 4.2.3 Design simple products that can be effectively supported by IT platforms and leading User Experience methodology.
- 4.2.4 Our products should not deviate too much from the market standard, and if it does it should offer better cover but without making it price uncompetitive.

4.3 Principle 3: Trust

- 4.3.1 Product Design that encourages positive self-selection encouraging the right client behaviour. When clients manage their own risks it allows premiums to remain competitive or even get better post inception.
- 4.2.2 We have prioritized those investments that maximize value for both the Target Market and Youi.
- 4.2.3 Any product related decision considers all stakeholders including reinsurers, regulators and partners.



5. Product Management Principles and Standards

The product management policy principles and standards are designed to act as a minimum standard for meeting Youi's obligations to ensure its product design and distribution steps are target market plausible and appropriately meet the Target Market's needs and align to our risk management framework.

5.1 Principle 1: Price

- 5.1.1 Rates are aligned to specific products and perils.
- 5.1.2 Be comfortable with our conversion (even when it is low) where we believe our prices are appropriate.
- 5.1.3 Always be on the lookout for new rating factors.
- 5.1.4 Introduce major rate versions in a staggered manner, allowing the changes to take effect more broadly as credibility improves.
- 5.1.5 Underwriting adjustments are well documented ensuring the same risk features have consistent rules.
- 5.1.6 Ensure that prices are set according to the risk (charge the right price for the right risk).
- 5.1.7 Ensure we are using pricing models with an appropriate level of sophistication that align with best practice and standards of the insurance market.
- 5.1.8 Monitor experience on an ongoing basis and make timely small incremental changes as and when needed to achieve our targets, avoiding the need for large step changes.
- 5.1.9 Cost management and cost allocation per product. A lower cost ratio allows lower premiums.
- 5.1.10 Aim to minimize exposure to adverse selection due to product design, underwriting guidelines, or pricing.
- 5.1.11 Use quantitative, effective tools that track performance and provide projections to guide parameter changes.

5.2 Principle 2: Service

- 5.2.1 We will ensure that once we have identified, with sufficient granularity, the class of customers that comprise the 'target market' for each form of our products, that the impact to the target market is central to any product related decision.
- 5.2.2 We will use external market analysis, that considers the impact of any material change to the impact to the target market, and to periodically and independently test the appropriateness of our product design for the intended target market.



5.3 Principle 3: Trust

- 5.3.1 Offer products and features that provide value to the Target Market, by meeting their needs.
- 5.3.2 Active maintenance of product lifecycle controls that measure and protect product trust.
- 5.3.3 We need to be competitive enough, often enough on price while delivering on scientific rating and underwriting.
- 5.3.4 Avoid exposure to moral hazard as this cannot be priced.
- 5.3.5 Superior risk selection - if you have superior risk selection you can offer those low-risk client's great premiums.
- 5.3.6 Products are distributed only to those for whom the product is designed.
- 5.3.7 Monitor aggregation to avoid excessive exposure to risk in areas that will threaten solvency or result in higher increases in reinsurance cost to mitigate.
- 5.3.8 Cross reference price and product features with industry data to ensure general consistency and alignment.

6. Design Concepts

- 6.1 Youi defines its coverage by insured events. It functions as a co-operative device and determines the value of risk based on strict underwriting guidelines.
- 6.2 Youi designs its products to ensure it is target market plausible and appropriate to the Target Market's needs, is competitive within the market and delivers value for money. Our robust product design steps align to our risk management framework with comprehensive decision support through complete and consistent processes including assessment procedure for determining distribution meets the customer need.



7. Design Characteristics

When designing our products, we segment our target customer base to ensure that we are providing the products and services that meet their specific needs. The table below outlines the characteristics of customers who form the majority of our target market for our products and services.

Segment	Type	Attributes and Features	Base Market
Home	Building	Private domestic residence and other structures at the premises, including permanently attached fixtures, fittings, and structural improvements. Among the types of events covered by the product are: fire, storm, including hail and, lightning, flood, earthquake, theft and attempted theft, and impact of a vehicle.	Owner-occupiers or landlords (owners that rent all or part of the home out). Investment property owners.
	Contents	Personal possessions kept inside a private domestic residence or other locked structure on the premises. If the residence is a strata title property, contents extend to fixtures and fittings. Among the types of events covered by the product are: fire, storm, including hail and lightning, flood, earthquake, theft and attempted theft, and impact of a vehicle. Another key attribute of Youi Contents insurance is Legal Liability.	Homeowners or occupiers who are also the owners of contents in the home.
	Building & Contents	Property that includes the private domestic residence and other structures at the premises, including permanently attached fixtures, fittings, and structural improvements, but excludes earthworks. Youi Contents insurance covers personal possessions kept inside a private domestic residence or other locked structure on the premises.	Homeowners, who are also the owners of contents in the home.
Motor	Comprehensive	Coverage for events such as road accidents, storms, malicious damage, fires and theft as well as some associated costs such as towing and loss of personal effects. Another key attribute is legal liability, providing cover for damage to another person's property resulting from the use of their car.	Car owner that would like to guard against an event damaging their car or becoming legally liable for damage to other property through the use of their car.



Segment	Type	Attributes and Features	Base Market
Motor (cont.)	Third Party, Fire & Theft	Cover against fire and theft damage to the car, and legal liability when the car causes damage to other people's property. Another key attribute is cover of up to \$5,000 for damage to the insured car caused by an uninsured vehicle. The accident must be the fault of the other driver and you need to have identified them.	Car owners that do not expect their car to be damaged in an incident such as a collision or storm or they have the means to repair or replace their car if it is accidentally damaged.
	Third Party Property Damage	Protection against legal liability for damage to another person's property resulting from the use of their car, such as in a collision. Another key attribute is cover of up to \$5,000 for damage to the insured car caused by an uninsured vehicle. The accident must be the fault of the other driver and you need to have identified them.	Owners of low value cars.
	CTP	Car owner protection if they are at-fault for an accident and a third party is injured or killed.	NSW vehicle owners.
Motorcycle	Comprehensive	Coverage for events such as road accidents, storms, malicious damage, fires and theft as well as some associated costs such as towing and loss of personal effects. Another key attribute is legal liability, providing cover for damage to another person's property resulting from the use of their motorcycle. Any of these events could result in significant motorcycle repair or replacement costs, so this cover is suitable for the intended target market.	Motorcycle owner that would like to guard against the financial burden that may result from a material event damaging their motorcycle or becoming legally liable for damage to other property through the use of their motorcycle.
	Third Party, Fire & Theft	Cover against fire and theft damage, and legal liability when the Motorcycle causes damage to other peoples' property. This product is suitable for the target market because it limits their financial loss from accidents to the value of their own motorcycle plus any applicable excess and provides cover if the motorcycle is damaged by fire or theft.	Motorcycle owners that do not expect their car to be damaged in an incident such as a collision or storm or they have the means to repair or replace their motorcycle if it is accidentally damaged.



Segment	Type	Attributes and Features	Base Market
Motorcycle (cont.)	Third Party Property Damage	<p>Cover is protection against legal liability for damage to another person's property resulting from the use of their motorcycle, such as in a collision.</p> <p>This product is suitable for the target market because it limits their financial loss from accidents to the value of their own motorcycle plus any applicable excess.</p>	Owners of low value Motorcycles.
Caravan	Comprehensive	<p>Coverage for events such as road accidents, storms, malicious damage, fires and theft as well as some associated costs such as towing and loss or damage to contents. Another key attribute is legal liability, providing cover for death, bodily injury or damage to another person's property resulting from the use of the caravan and/or trailer. Any of these events could result in significant caravan and/or trailer repair or replacement costs or liability costs.</p>	Caravan owner that would like to guard itself from an event damaging their caravan and trailer or becoming legally liable for damage to other property through the use of their caravan and/or trailer.
	Third Party, Fire & Theft	<p>Cover against fire and theft damage, and legal liability when the caravan and/or trailer causes death, bodily injury or damage to other people's property.</p>	Owners of caravans that do not expect their caravan to be damaged in an incident such as a collision or storm or they have the means to repair or replace their Caravan if it is accidentally damaged.
	Third Party Property Damage	<p>Cover against legal liability for death, bodily injury or damage to another person's property, resulting from the use of their caravan and/or trailer, such as in a collision.</p> <p>This product is suitable for the target market because it limits their financial loss from accidents to the value of their own caravan and/or trailers plus any applicable excess.</p>	Designed for the owners of low value caravans.



Segment	Type	Attributes and Features	Base Market
Watercraft	Comprehensive	Coverage for events such as accidental damage, storm, malicious damage, fire and theft as well as some associated costs such as towing and loss of contents in the boat. Another key attribute is legal liability, providing cover for death, bodily injury and damage to another person's property resulting from the use of their watercraft. Any of these events could result in significant watercraft repair or replacement costs, so this cover is suitable for the intended target market.	Owner that would like to guard itself from an event damaging their watercraft or becoming legally liable for death, bodily injury, or damage to other property, through the use of their watercraft.
	Third Party, Fire & Theft	Cover against fire and theft damage, and legal liability when the watercraft causes death, bodily injury, or damage to other people's property. This product is suitable for the target market because it limits their financial loss from accidents to the value of their own watercraft plus any applicable excess and provides cover if the watercraft is damaged by fire or theft.	Owners that do not expect their watercraft to be damaged in an event such as a collision or storm or they have the means to repair or replace watercraft if it is accidentally damaged.
	Third Party Property Damage	Cover is protection against legal liability for death, bodily injury and damage to another person's property resulting from the use of their watercraft, such as in a collision. This product is suitable for the target market because it limits their financial loss from accidents to the value of their own watercraft plus any applicable excess.	Owners of low value watercraft.
Business Insurance		Legal liability for personal injury and/or property damage up to the specified amount, defence costs up to 50% of the specified amount and cover for goods in care of \$50,000.	Small business owners that need to guard against the financial burden that may result from legal liability for personal injury and/or property damage for an incident that occurs in connection with their business activities or products. For the purposes of this product, small businesses employ less than 20 people and have an annual turnover of less than \$1 million.



8. Design Process

Youi undertakes a robust product design process that ensures the Target Market's needs and regulatory requirements are met whilst maintaining economic sustainability.

The primary purpose of any new product must be a recognised Target Market need to manage specific or multiple risks which is reflected in the features or benefits of the product.

Youi must demonstrate that customers in the Target Market require the product and if an insured event occurred, they would be able to claim under this primary purpose at any time during the period of insurance.

The design of the product and its proposed distribution must not unfairly target the vulnerable, which includes but is not limited to the:

- Disabled
- Mental Health
- Limited Financial literacy
- Underprivileged – Education or economically
- Economically disadvantaged.
- Communication limitations – language, cultural, sensory impairment
- Victims of domestic violence
- Elderly
- Refugees or displaced persons

The high-level design steps include but are not limited to:

- Drivers
- Feasibility
- Product testing
- Approval
- Implementation
- Review

Each step in the design process undergoes Target Market, financial and risk analysis to evidence the suitability of development.

All Youi products are design dependant on alignment with the strategic goals and business objectives.



9. Target Markets

Youi undertakes the following process to identify appropriate Target Markets for its products.

- Product Review – Relevant underwriting, marketing and value assessments
- Principles – Alignment to Actuarial guidelines and standards
- Considerations – Drivers, Consumer needs, Legislative requirements, Negative Target Market Determinations, Complaints
- Distribution arrangements – Information for distributors, alignment with Target Markets needs
- Reviews – Triggers, Scheduled reviews

10. Target Market Determination Assessments

Products and Target Market Determination (TMD) statements are reviewed annually by the Heads of Product.

This process includes reviewing each TMD against the reasonable step's matrix.

Triggers and potential risks are also reviewed at this time to ensure target market statements and products, distribution methods and information provided to distributors is appropriate and aligns to the intended Target Markets.

Distributors provide Youi with process details for review of reasonable steps and confirm actions taken when incidents or potential incidents of products or TMD's fall outside of their target market.

Youi will notify ASIC about any significant dealings which are not consistent with the TMD and keep adequate records.

11. Approvals

Youi's development approval process is the mechanism to assess and document the considerations and requirements for all new product propositions and any material changes to existing products.

All product design and distribution approvals follow the relevant approval process and changes are informed to the relevant committees through the Product Governance, Risk and Compliance standard business reporting during the course of the period between reviews.

This policy is required to be reviewed annually or if there is a trigger event.

The approval process considers the perspectives of representatives across the business with appropriate range of skills and experience to reflect the authority and scope of works required.



12. Roles and Responsibilities

12.1 Policy Owner

- 12.1.1 The policy owner is responsible for ensuring the policy is maintained, including it addresses relevant legal, regulatory and other key documents.
- 12.1.2 The policy owner manages the process for updating the policy in accordance with the Review timing outlined in this policy, including providing a clear summary of the changes to the policy for the relevant Committee to approve.

12.2 Monitoring and Assurance

- 12.2.1 The Product Governance & Analysis Manager is responsible for ensuring that this policy:
 - a) aligns with relevant legislation, government policy and the Company requirements, strategies and values;
 - b) is monitored to ensure appropriate governance, risk and compliance processes are followed for TMD and product development including ongoing review and maintenance of appropriate documentation;
 - c) is implemented; and
 - d) is reviewed to evaluate its continuing effectiveness and to ensure the company has sufficient organisational competence to carry out its obligations under its authority provided by APRA or under its AFS licence.
- 12.2.2 The EGM Product & Partnerships is responsible for:
 - a) Managing distribution arrangements and ensure compliance of distributors with relevant legislative and regulatory obligations.
- 12.2.3 The EGM Actuarial Operations is responsible for:
 - a) Providing input to product design that aligns to risk appetite and underwriting principles. Ensure product testing meets relevant rating models and pricing policies.
- 12.2.4 The Heads of Product are responsible for:
 - a) Portfolio management of relevant product sustainability and alignment with business objectives. Development and implementation of product and TMD development.
- 12.2.5 The Chief Product Officer is responsible for:
 - a) Ensuring alignment with strategic, financial and risk accountability of new products developed, material changes to existing products and Target Market Determination statements.

13. Reporting

It is a requirement that the responsible Head of Product monitors progress and reports on progress to plan. Regulatory breach reporting is managed by the Regulatory Affairs team and is supported by the Product Governance and Analysis Manager.



14. Risk and Compliance

Any incident involving the product or Target Market Determination is recorded and managed appropriately by Youi's Risk Management Framework and, if required, considered by Youi's Risk Management and Compliance functions.

Each quarter the Compliance team provides a report to the Internal Risk Committee and The Board Risk Committee relating to the effectiveness of our Compliance programs.

15. Distribution

Distribution channels are selected by appropriateness of the intended target market of the product, and are based on the following considerations:

- Market – Target customers; concentration of Market & Competition
- Risk – Controls in place & Economic factors
- Operations – Capability & Capacity to provide appropriate sales and service (Selling complexity); technology aligns to product functionality (Automation & Acceptance).
- Environmental – Social conditions; Legal provisions & Financial conditions

16. Distribution Conditions

All Distributor arrangements are set out under each partnership agreement. Head of Product and the Executive General Manager of Product and Partnerships monitor and manage the conditions of each arrangement.

In respects of products distributed directly through the Youi website or contact centre, Youi provides adequate training to employees who are able to sell the product and they must follow any guidance Youi gives them (such as product-specific sales scripting and application processes).

17. Policy Governance Reviews

Product performance is reviewed on an annual basis utilising activities that measure the value of Insurance products.

A summary of changes is provided where relevant for approval.

The policy owner is responsible for ensuring the policy is maintained, including that is addressing relevant legal, regulatory, industry codes, and other key documents.



18. Publications and Online Releases

This policy is published on Youi external website.

19. Training

All relevant employees, distributors and service providers are to be made aware of this policy.

20. Related Legislation and Documents

This policy seeks to meet obligations from laws, regulations, guidelines, and industry codes relevant to product design and distribution including, but not limited to:

- General Insurance Code of Practice 2020
- Design and Distribution Obligation RG274 (2021)
- Unfair Contract Terms (UCT) (2021)
- Internal Disputes Resolution RG271
- IFRS 17
- Financial Services Breach Reporting RG78
- Anti- Hawking
- Misrepresentation Duty

Related documents

- Youi – Vulnerable Customers Policy
- Youi – Domestic and Family Violence Policy



21. Approval and Review

This policy is approved by the Board.

The policy is required to be reviewed annually and presented to the Board.

Where there are non-material changes to this policy, such as formatting, title changes and simple grammatical errors, these changes can be approved by the Policy Owner and informed to the relevant Committee, through the Risk, Legal and Compliance standard business reporting during the course of the period between reviews.

22. Document Control

22.1 Identification and approval

Document Name (ID) Product Design and Distribution Policy

Document Owner Nathaniel Simpson

Document Approval Board

22.2 Revision history

Version	Date created	Drafted by	Reviewed by	Comments
0.1	29/04/21	Alison Cameron	Georgina Clark	First draft
0.4	07/05/21	Alison Cameron	Kylie Pidgeon	Second draft
0.5	10/05/21	Alison Cameron	Bernadette Manley	Incorporated Regulatory Change PM review
0.6	10/05/21	Alison Cameron	Jonathan Holland (Compliance) Nathaniel Young (Legal)	Updated draft
0.7	11/05/21	Alison Cameron	Nathaniel Simpson	Incorporated ExCo changes



22.3 Approval history

Approved by	Version tabled	Version approved	Date approved
Executive Committee	0.6	0.7	11/05/2021
Board	0.7	1.0	20/05/2021

