



## MetLife Group Life

### Fair Value Assessment

This document sets out the outcomes of MetLife's Fair Value Assessment of MetLife Group Life. It is designed to provide intermediaries with the information they need to understand the outcome of our fair value assessment. We have carried out this Fair Value Assessment in accordance with the Financial Conduct Authority 'FCA' Product Oversight & Governance 'PROD' rules, effective 1<sup>st</sup> October 2021 and to fulfil our Principles for Business responsibilities (PRIN 2A.4.15 R) under Consumer Duty.

This document also helps financial intermediaries understand the target market for MetLife Group Life, and any identified groups of customers for whom the product may not provide fair value.

### Characteristics of the target market

MetLife Group Life is designed for employers who are looking to provide life cover for their employees. The life cover would be used to protect the dependants of their employees in the event of their death. In addition to conventional Group Life products, we also offer a 'Flex' version, whereby employees can choose to vary their sum assured up or down each year, within limits, to meet their needs for greater flexibility.

Subject to scheme underwriting, MetLife Group Life can be taken out by an employer who:

- has at least 2 employees (or at least 250 employees for Flex schemes); and
- is based in the UK.

### Customers for whom the product may not provide the intended value

As well as understanding who MetLife Group Life may be suitable for, it's just as important to understand who it may not be suitable for. The following segments are not our usual target market:

- Employers needing to cover their major non-UK subsidiaries and their employees.

We expect the financial intermediary to be in the best position to identify the employer's needs and requirements, and whether our product is appropriate for the employer's individual circumstances.

### Fair Value Assessment

This section sets out the benefits provided under MetLife Group Life and the premiums payable, limitations to the cover, and an assessment of the remuneration paid under the distribution arrangement. We then summarise the outcome of our fair value assessment.

#### What benefits are provided

MetLife Group Life is designed to insure an employer's liability in respect of life cover promised to its employees by way of their employment contracts. The policy provides a lump sum benefit when an insured member dies. This can be a fixed lump sum e.g., £100,000, or a multiple of salary e.g., 4 times salary. In the case of 'Flex', this multiple could be higher or lower, if the employee chooses so.

Separate policies are issued when the employer or trustee takes out cover for a registered pension scheme (MetLife Registered Group Life policy), an excepted group life scheme (MetLife Excepted Group Life policy), or for a single employee (MetLife Single Life Relevant Life policy).

Where separate policies are issued, they can be linked together for the purpose of the unit rate of premium, free cover limit and / or catastrophic event limit. In respect of a MetLife Single Life Relevant Life policy, this must be linked to a MetLife Registered Group Life policy and / or a MetLife Excepted Group Life policy.

Customers have access to MetLife's Registered and Excepted Master Trusts if they do not wish to set up their own discretionary trusts for the life cover that they insure with MetLife. Irwin Mitchell acts as trustee for both master trusts, which can accommodate multiple employers. As trustee they have discretionary powers to pay the benefits to the appropriate beneficiaries. There is no charge to the employer for use of the Master Trusts or payment of benefit from them.

- *MetLife Registered Master Trust* – this is a registered pension scheme, for which Irwin Mitchell also act as Scheme Administrator in respect of HMRC reporting.
- *MetLife Excepted Master Trust* – this is a discretionary trust holding multiple MetLife Excepted Group Life and MetLife Single Life Relevant Life policies.

The following extensions of cover are available under the policy.

#### Early retirement cover

In the event of a member taking early retirement, cover can be provided up to the termination age of the policy which is set by the employer and agreed with MetLife. Cover is based on the cover calculated immediately prior to the date of early retirement.

#### Redundancy cover

In the event of the redundancy of a member, cover can continue temporarily for up to 3 consecutive calendar months commencing on the date of termination of the member's employment with the employer. Longer periods can be agreed with MetLife if requested. In the event a member's employment was terminated by way of a compromise or settlement agreement, for the purpose of redundancy cover, they would be treated as having been made redundant and be covered. Benefit payable is usually based on the member's earnings or benefit amount immediately prior to their date of redundancy.

MetLife Group Life policies currently provide access to the following value-added services<sup>1</sup>:

#### Employee Assistance Programme 'EAP'

MetLife Group Life employers with up to 1,000 employees, have access to our Employee Assistance Programme (EAP) at no additional cost. It provides an impartial person to talk to and offers support and information 24/7, 365 days a year. This provides employees with the support they need, when they need it most. Plus, members of their family\* receive complimentary access to the service too.

*\* Members of an employee's family means the spouse or partner and any brother, sister, parent, legal dependants (except children under the age of 16) who are living in the same household as the employee; and any children or legal dependants of the employee who do not live in their household and are aged 16 to 21, living in the UK and are in full-time education.*

#### Bereavement & Probate support

A helpline which provides valuable support in coping with a terminal illness diagnosis, coping with a loss, and practical support on the probate process. This includes up to 6 structured bereavement counselling sessions per year. This also includes access for an employee's immediate family.

#### Virtual GP Service

MetLife Group Life employers with up to 1,000 employees have access to a Virtual GP Service. This gives employees and their families 24/7 access to private GP consultations, with prescriptions delivered straight to local pharmacies, specialist private referrals available, second medical opinions, plus a digital symptom checker.

#### Funeral Concierge Service

All MetLife Group Life employers and their employees have access to a Funeral Concierge Service. This gives employees and their families access to 24/7 adviser assistance to arrange a funeral, research reports based on a UK database of funeral home prices, online planning tools, an electronic storage vault, and online legal document creation.

<sup>1</sup> The value-added services are not part of MetLife Group Life terms and conditions, and they can change in the future.

## What the customer pays

The premium a customer pays is based on several factors, including but not limited to location, occupation, age and gender mix of the membership, type of cover selected, and level of benefits. Each group life scheme is underwritten on its own merits to determine a unit rate per mille (£1,000) of sum assured. This is then used to calculate the total premium payable. Medical loadings can also be applied to the premium in respect of individual members whose benefits need to be medically underwritten in part or in full.

There are also additional loadings depending on the frequency and method of premium payment.

Frequency	Cheque	Direct credit	Direct Debit
Monthly	Not available	4%	2%
Quarterly	3%	3%	2%
Half yearly	2%	2%	1%

The unit rate is guaranteed for the rate guarantee period, usually 2 years, but can be 1 year or up to 3 years. On expiry of the rate guarantee period, we reserve the right to re-rate and / or re-underwrite the policy. We may determine a new unit rate of premium for the policy, amend the levels of policy benefit and any of the other policy terms and conditions, and amend any of the definitions.

We also have the right to re-rate and / or re-underwrite the policy at any time:

- if there is a change in the nature of the risk underwritten;
- if any new regulation or change in legislation or HMRC practice comes into force that affects the way that premiums and / or policy benefits are treated for tax purposes for the employer, insurer, insured member, or any recipient of policy benefit;
- if we agree to a change in the definition of eligible employee or eligible partner, or to the terms for policy benefits or other policy terms and conditions; and / or
- if there has been a 30% or more change in the total number of members and / or policy benefit since the later of the policy commencement date and the last review date.

## Temporary and permanent limitations

There are some limitations to the cover. During the period of temporary limitations, premiums must be paid in full. The limitations are necessary to ensure as broad an access as possible for customers without need for medical underwriting, and to keep premiums at an affordable level.

### Temporary limitations

*Temporary cover* – temporary cover is provided for benefits that are being medically underwritten. Where temporary cover is provided, cover is subject to a 5-year pre-existing condition exclusion. This means temporary cover benefits may be restricted if the cause of death is linked to a pre-existing condition.

### Permanent limitations

*Free cover limit:* MetLife sets a free cover limit, also called the ‘automatic acceptance limit’ for policies. This is the amount of cover each individual member can have without medical underwriting. Benefits greater than the free cover limit require medical underwriting before this cover can be provided. The underwriting of the cover above the free cover limit does not affect the cover provided up to the free cover limit.

*Exclusions:* MetLife will not pay the policy benefit if a claim has not been made after a period of 24 months commencing on the date the policyholder could reasonably have known of the member’s death.

Travel to red zones as specified by the Foreign, Commonwealth & Development Office.

Exclusions do not normally apply at policy level but in rare occurrences, for example where a scheme has hazardous occupations, exclusions may apply, for example for diving or handling explosives.

*Temporary absence cover:* Where a member is absent from work because of accident or sickness, they will continue to be covered up to their termination age. If they are absent from work for any other reason, the period of temporary absence cover will be the earlier of 36 months and their termination age.

**Catastrophic event limit:** If a catastrophic event occurs, an overall limit may apply on the total claim amount paid. If MetLife has already paid benefits to the catastrophic event limit for one catastrophic event, then no further benefits will be paid out for that event.

## **Distribution arrangements**

MetLife Group Life is sold by financial intermediaries who are authorised and regulated by the Financial Conduct Authority (FCA).

The premium includes an amount attributable to the commission paid to distributors which we believe is reflective of the work they undertake, and the value they add, which we expect to include providing all relevant product information, addressing customer queries throughout the purchase process, and meeting all relevant regulatory obligations. The amount of commission paid is appropriate and represents fair value to the customer for the services they receive.

This assessment of fair value considers the levels of commission MetLife pay distributors in respect of this product. There may be an impact on the value assessment if additional remuneration, paid directly to the distributor by the client, is substantially more than the value of MetLife commission the distributor chooses to sacrifice.

## **Outcome of fair value assessment**

Our fair value assessment identified the following factors for MetLife Group Life policy:

- Pricing assumptions (including remuneration paid, expenses and profit) for the premium, provide customers with a fair premium for their benefits. The premium rate is guaranteed for the period selected by the customer.
- Claim ratios are in line with our expected range, which we believe demonstrates providing fair value to customers, their employees and dependants.
- Our claim outcomes show that most claims are settled within a few days with claim payments made within expected targets. There is a continued focus to settle claims fairly and quickly. We acknowledge that not all customers will experience those unfortunate events that give rise to a claim.
- Only a small percentage of claims are declined, for example the employee being over the maximum cover age at the time of death.
- Additional value-added services provide customers with our Employee Assistance Programme, Bereavement & Probate support, 24/7 access to virtual GPs and a Funeral Concierge service.
- Our customer service operational standards are within the expected targets. Resources are actively managed to ensure targets are maintained.
- We have low numbers of complaints which we believe reflects the level of service provided and claim decisions made.
- Based on our distribution survey results, we are comfortable that the commission paid to intermediaries is reflective of the work required to distribute the proposition and represents fair value relative to the services provided to the employers.
- We are satisfied that we are implementing the required processes to achieve our objective that Vulnerable Customers receive outcomes equally as good as other customers.
- The review did not identify any significant communication concerns that have resulted in customer detriment.
- Customer Outcomes are formally reviewed every three months at an Executive level.

In conclusion, we believe that the MetLife Group Life proposition provides fair value to customers.

## **Product Oversight & Governance**

This section is intended to provide distributors with information on our Product Oversight and Governance (POG) framework. It also outlines how we are meeting the FCA's new product governance rules under policy statement PS21/5, which came into effect 1 October 2021, following their General Insurance Pricing Practices Market Study. One of the key requirements under the new rules is the assessment of fair value, both during the product development process and in ongoing product monitoring. These are in line with Consumer Duty Outcomes 1 and 2.

### **Product development process**

We have a well-established POG framework in place, which:

1. ensures products are developed and kept which meet an identified customer need.
2. ensures the target market and non-target market for each product is clearly defined.
3. considers the needs of vulnerable customers.
4. ensures products are adequately tested before they are made available.
5. assesses whether products will deliver fair value to customers, and
6. identifies risks and issues which are evaluated, prioritised, and acted upon.

New products and significant product changes are subject to our oversight framework and will receive approval from our Europe Product Management Committee before they are made available. Minor product enhancements or changes will follow a simplified internal process but will continue to ensure that the steps shown above are explicitly considered.

### **Ongoing monitoring and annual product reviews**

We regularly review all our products, both open and closed. This ensures they continue to meet the needs of the identified target market, our customers' expectations and deliver fair value. Actual Customer Outcomes form part of a quarterly review at an Executive level.

Whilst delivering fair value has always been at the core of our oversight framework, we have updated our process to include a specific annual assessment of the value customers receive through our products. The core measures that contribute to our value assessment include:

1. Product suitability and target market assessment.
2. Fair pricing, including commission and total remuneration received by distributors.
3. Claim ratios.
4. Complaints.
5. Service assessment.

We may ask for information from our distribution partners to help support our fair value assessments.

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