



MetLife Legacy Group Life sold via a partnership with HSBC. Fair Value Assessment

This document sets out the outcomes of MetLife's Fair Value Assessments of MetLife's Group Life business that was sold through a partnership with HSBC and is no longer available to new customers. It is designed to provide intermediaries with the information they need to understand the outcome of our fair value assessment. We have carried out these Fair Value Assessments in accordance with the Financial Conduct Authority 'FCA' Product Oversight & Governance 'PROD' rules, effective 1st October 2021 and to fulfil our Principles for Business responsibilities (PRIN 2A.4.15 R) under Consumer Duty.

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

Characteristics of the target market

The product was designed for employers who were 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.

Subject to scheme underwriting, this could be taken out by an employer who:

- had at least 2 employees; and
- is based in the UK.

Customers for whom the products would not provide the intended value.

As well as understanding who the product may be suitable for, it's just as important to understand who it may not be suitable for. The following employers 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 what benefits are provided under the legacy products and the premiums payable, limitations to the cover, and an assessment of the remuneration paid under the distribution arrangements. We then summarise the outcome of our fair value assessment.

What benefits are provided

The policy provides a lump sum benefit if an insured member dies. The level of cover is usually based on a multiple of salary (e.g. 4 x salary) or a fixed amount (e.g. £100,000). This is paid to the trust providing the life benefits and is paid for the benefit of the deceased member's beneficiaries. Trustees have discretionary powers to pay the benefits to the appropriate beneficiaries. For policies sold up to 2010, the policy benefit includes an additional accidental death benefit of £100,000.

Customers have access to MetLife's Registered Master Trust if they do not wish to use their own discretionary trust for the life cover they insure with MetLife. Irwin Mitchell acts as trustee for the master trust, 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.

The following extensions of cover were available under the Group Life policy:

Extended temporary absence cover

Standard temporary absence cover is automatically included in the policy. Where extended temporary absence cover was granted, cover can continue until the member reaches the policy's termination if the absence is as a result of accident or sickness.

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. The additional £100,000 accidental death benefit is not payable for early retirees.

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. The benefit payable is usually based on the member's earnings or benefit amount immediately prior to their date of redundancy.

The products currently provide access to the following value-added services¹:

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.

¹ The value-added services are not part of MetLife Group Life terms and conditions, and they may 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.

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 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, or the average policy benefit or age of the members, since the later of the policy commencement date and the last review date.

Temporary and permanent limitations

Temporary limitations

Temporary cover – temporary cover is provided for benefits that are being medically underwritten. Where temporary cover is provided, cover is restricted to accidental death only.

Permanent limitations

<i>Free cover limit</i>	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.
<i>Exclusions</i>	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. For some policies, MetLife may exclude death because of specific causes.
<i>Temporary absence cover</i>	Where a member is absent from work, they will continue to be covered for up to 36 months.
<i>Catastrophic event limit</i>	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

The Group Life schemes were sold by HSBC's financial intermediaries who were authorised and regulated by the Financial Conduct Authority (FCA) at the time of sale. Commissions continue to be paid to HSBC based on existing contractual obligations and HSBC confirmation that they continue to monitor customer outcomes, including but not limited to complaints and claims.

Where schemes have moved to other distributors, commissions are paid to the new distributors based on the commission agreed between the employer and the new distributor. Where an employer has requested to deal with MetLife directly, i.e. with no broker involvement, no commissions are paid.

The fair value review identified that commission is being paid based on previously agreed contractual obligations with HSBC providing oversight at a Portfolio level. However, we felt that increased levels of support and service could be provided in respect of the remuneration paid, to ensure good outcomes are being provided for customers.

Outcome of fair value assessment

Our fair value assessment identified the following factors:

- Pricing assumptions (including remuneration paid, expenses and profit) provide customers with premiums that have provided fair value. To ensure that value continues to be provided for the foreseeable future, we will start to transition schemes to the new open Group Risk pricing basis, at schemes' next guarantee rate expiry dates, or ~~if~~ earlier if requested by the customer.
- Based on our existing experience, claim ratios remain at levels that provide value to customers. Claim ratios are expected to improve once the new pricing basis is implemented.
- 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 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 levels of service provided and claim decisions made.
- We have processes in place to support vulnerable customers.
- Customer Outcomes are formally reviewed every three months at an Executive level.

In conclusion, we believe that the Group Life Schemes have provided fair value to customers. To ensure that this continues in the future we are:

- Transitioning existing schemes to our new open Group Risk pricing basis; and
- Reviewing the remuneration basis with the original selling intermediary firm, HSBC.

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:

- ensures products are developed and kept which meet an identified customer need
- ensures the target market and non-target market for each product is clearly defined
- considers the needs of vulnerable customers
- ensures products are adequately tested before they're made available
- assesses whether products will deliver fair value to customers, and
- 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:

- product suitability and target market assessment
- fair pricing, including commission and total remuneration received by distributors
- claim ratios
- complaints
- service assessment

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

Products and services are offered by MetLife Europe d.a.c. which is an affiliate of MetLife, Inc. and operates under the "MetLife" brand.

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