



MetLife Group Life (in partnership with YuLife) Fair Value Assessment

This document sets out the outcome of MetLife's Fair Value Assessment of MetLife Group Life (in partnership with YuLife). It is designed to provide financial 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 1st 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 (in partnership with YuLife), and any identified groups of customers for whom the product may not provide fair value.

Target market

MetLife Group Life (in partnership with YuLife) is designed for employers who are looking to provide life cover for their employees and give them access to additional health and wellbeing services. The life cover would be used to protect the dependants of their employees in the event of their death. The health and wellbeing services give employees access to ongoing benefits including a virtual GP, employee assistance programme (EAP), and a Wellbeing App to improve and reward healthy living habits.

Subject to scheme underwriting, MetLife Group Life (in partnership with YuLife) can be taken out by an employer who:

- has at least 3 employees; and
- is based in the UK.

From experience we know that the proposition particularly appeals to the following key target segments:

- Small to medium sized employers with up to 1,000 employees; and
- Larger employers who are keen to engage their workforce with health and wellbeing services.

Financial intermediaries should not automatically assume that the proposition is appropriate just because the employer falls within the expected target market. In addition, there may be exceptions where an employer could benefit from buying the product, even if they are not part of the expected target market, for example an employer that already provides some health and wellbeing services, but values the additional services YuLife provide for their employees.

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

Non-target market

As well as understanding who MetLife Group Life (in partnership with YuLife) 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
- Employers who already provide health and wellbeing services to their employees.

Fair Value Assessment

This section sets out the benefits provided under MetLife Group Life (in partnership with YuLife) 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 (in partnership with YuLife) 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.

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, 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.

In addition, all MetLife Group Life (in partnership with YuLife) policies have access to:

- MetLife's Employee Assistance Programme* (EAP) which provides employees with support for financial, mental and physical aspects of their well-being. This also includes access for an employee's immediate family.
- MetLife's 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;
- MetLife's 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;
- MetLife's Bereavement & Probate helpline* that provides valuable support in coping with a terminal illness diagnosis, coping with a loss, and practical support on the probate process; and
- YuLife's Wellbeing App and premium complementary services (as shown below).

**These services may be available from YuLife on a bespoke basis. .*

YuLife Wellbeing App and Services**Reward Living**

Inspiring employees to establish healthy living habits via the YuLife App where employees progress through levels, complete streaks and earn “YuCoin” (YuLife’s currency of wellbeing) by completing activities such as walking, mindfulness and workouts. YuCoin can be redeemed with reward partners which include retailers (including Amazon, John Lewis and M&S), lifestyle providers (including Thriva, Farewill and Moneyhub) and environmental projects (including Earthly).

Inspire Life

YuLife’s approach to risk management uses behavioural science, artificial intelligence, and game mechanics to create an engaging experience for the employee. YuLife has over 200 levels to engage and inspire people with daily quests and challenges to maintain and reward engagement. In addition, employees can complete challenge streaks to receive bonus YuCoin, unlock bonus YuCoin chests and partake in campaigns and surges which are targeted at key events throughout the year (such as World Health Day).

At employer level, customers derive significant additional value from YuLife’s HR insights and actionable metrics which can be modified according to customer needs. Typically, these include:

- Quarterly management information pack: Insights on how employees use the YuLife app including activities, challenges and reward behaviour.
- Mental health reports: Anonymised company metrics that flag any broad mental health concerns including anxiety, workplace stress, hopelessness, and workplace performance issues.
- Wellbeing trends reports: Behaviour metric to show frequency of physical activity and meditation times to predict stress or burnout.
- Easy-to-read data and reports: Using the user-friendly dashboard to view the latest trends and see how people are engaging.
- Ongoing 1-2-1 support: From dedicated account managers.

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. For some policies, MetLife may exclude death because of specific causes.

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

This MetLife Group Life proposition is sold in partnership with YuLife, which is authorised and regulated by the Financial Conduct Authority.

MetLife has agreed terms of business with YuLife, and YuLife in turn has agreed terms of business with the financial intermediary responsible for the sale of the insurance policy to which YuLife's additional services are made available. MetLife pays commission to YuLife, which includes the commission payable to the financial intermediary responsible for the sale.

Financial intermediary responsible for the sale

MetLife Group Life (in partnership with YuLife) is sold by:

- financial intermediaries that are authorised and regulated by the Financial Conduct Authority and have a commercial agency relationship in place with YuLife; or
- direct through the YuLife distribution team.

For financial intermediary sales where a commission is taken, the premium includes an amount attributable to the commission paid to the distributor for the work they do in respect of product distribution, ongoing advice (if applicable) and customer service. We believe the amount of commission paid is appropriate and represents fair value to the customer for the services they receive. For "direct" business, no distribution commission is payable.

YuLife

The commission payable is reflective of the additional health and wellbeing services made available to the employer plus the administrative work they carry out on behalf of the financial intermediary responsible for the sale. This includes the checking of membership data prior to it being sent to MetLife, validating accounts, and ensuring premiums payable are kept up to date.

Through a combination of the YuLife value added services and the proprietary app which uses game mechanics and artificial intelligence (AI) to reward healthy behaviour, MetLife Group Life (in partnership with YuLife) provides significant additional value to customers when compared to a standard group life insurance policy and it is the cost of providing this additional value that necessitates additional commission.

The commission level for the provision of YuLife Wellbeing App and services has been priced with fair value in mind and will be regularly reviewed in-line with market practice and regulatory requirements (at least annually). The commission covers the YuLife benefits including (but not limited to):

- The cost of providing and developing the product and the app.
- The cost of anticipated YuCoin earnings based on projected usage (the level of commission charged would vary depending on the earn rate selected by the customer).
- The cost of providing EAP and Virtual GP Services (if applicable).
- The cost of distributing and administering the product (including provision of HR insights mentioned above).

The benefits realised by customers from these services are broad and sit at both employer and employee level. YuLife tracks and reports against a variety of metrics, one of which is daily Active User/Monthly Active User metric (currently 30% of users who downloaded the app) to provide insight into the number of monthly active users who engage with YuLife in a day.

The amount of commission paid to YuLife represents fair value to the customer for the services they receive.

Any change in remuneration impacts the premium a customer pays for MetLife Group Life (in partnership with YuLife), and MetLife caps the maximum commission payable to 99%. This comprises of a cap of 30% for commission paid to the financial intermediary responsible for the sale of the policy, and a cap of 69% for commission paid to YuLife. The nature and basis of remuneration is stated clearly on the quotation issued by MetLife. Remuneration levels are not linked to sales performance i.e. higher sales are not incentivised by higher commission, thereby removing conflicts of interest.

This assessment of fair value takes into account 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 in excess of the value of MetLife commission the distributor chooses to sacrifice.

Outcome of fair value assessment

Based on the following factors, the review found that the overall proposition comprising the MetLife Group Life risk policy and the YuLife additional services, offer fair value to customers over the long term.

- The MetLife risk premium is priced on a best estimate basis with no additional margins built in, ensuring that all schemes are treated equitably and charged an appropriate premium (allowing for distribution remuneration, expenses and profit).
- The customer's unit rate is fixed for the rate guarantee period (with limited and specific exceptions), providing the customer with certainty and peace of mind over that period. There are no barriers for customers to stop paying premiums, although cover would be lost for their employees.
- The payment value of claims for the traditional MetLife Group Life risk product continues to be a high proportion of the premium charged and so offers fair value to the customer. Based on the additional commission paid to YuLife we still expect the claims ratio for the Group Life product (in partnership with YuLife) to be a high proportion of premiums charged.
- The customer will receive high levels of customer service.
- There is a continued focus on settling life claims quickly.
- Customers also have access to additional value-added services, including the virtual GP, Funeral Concierge, Employee Wellbeing and Bereavement services as detailed above. YuLife provide their own Wellbeing App and Wellbeing Services that are designed to encourage healthy living habits and to reward continued engagement, for example with Amazon vouchers.
- At an employer level, customers derive additional value from YuLife's HR insights and actionable metrics which can be tailored according to customer needs.
- The overall value of the YuLife services combined with high MetLife claim ratios, provide fair value to customers.

At the same time, we acknowledge that not all customers will experience those unfortunate events that give rise to a claim or will make use of the services provided by YuLife.

For MetLife Group Life (in partnership with YuLife) distribution, we recognise that FCA authorised financial intermediaries have costs that need to be covered to deliver the services they provide. We consider that the remuneration paid to distributors by YuLife, is fair relative to the value of advice (if provided), and the services we expect them to provide. The price paid by the customer is set by MetLife & YuLife and we do not expect that any other remuneration will be paid by the customer for the specific distribution of this product.

In conclusion, the fair value assessment concludes that the MetLife Group Life (in partnership with YuLife) proposition offers 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 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 rules is the assessment of fair value, both during the product development process and in ongoing product monitoring.

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 are 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; and
- service assessment.

From time to time, we may ask for information from our distribution partners to help support our fair value assessments.

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