



MetLife ChildShield

Fair Value Assessment

This document sets out the outcome of MetLife's Fair Value Assessment of MetLife ChildShield. 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 ChildShield, and any identified groups of customers for whom the product may not provide fair value.

Target market

ChildShield is designed for individuals who are looking to financially protect themselves and their family, if their child suffers an accident, hospitalisation, or an insured illness. The lump sum benefits can be used by the individual in case they need to take time off to look after their child and used to help cover additional outgoings (such as travel, home improvements or help with domestic activities).

ChildShield is a stand-alone policy which does not need to be linked to or taken out with, another personal protection policy. However, it has been designed to complement customers' other protection policies and not to replace them, by providing financial support for the parents and family, for insured events.

The proposition particularly appeals to the following key target segments:

- An individual who is a natural parent, stepparent or legal guardian to, or has legally adopted, a child or children aged under 18 years at outset, who want protection if they need to cover additional outgoings or take time off work to look after a child that has had an accident or has an illness.
- Individuals who are highly dependent on a monthly income – typically those with low levels of savings compared to their outgoings.
- Self-employed individuals who do not get paid when unable to work, where protection against income shortfalls is critical.

ChildShield is not targeted to address any particular characteristic of vulnerability, which must be addressed by the financial intermediary as part of their advice or sales process.

Financial intermediaries should not automatically assume that ChildShield is appropriate just because the customer falls within the expected target market. In addition, there may be exceptions where a customer could benefit from buying the product, even if they are not part of the expected target market, for example customers who are currently not working but will be entering the employment market shortly.

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

Non-target market

As well as understanding who ChildShield may be suitable for, it is just as important to understand who it may not be suitable for. The following segments are not our usual target market:

- Any individuals who are not a natural parent, stepparent or legal guardian for a child or children, or whose child(ren) do not meet the definition of an eligible child per ChildShield.
- Those with enough resources to protect them should their children have an accident or an illness.
- Those who are unemployed and / or receiving state benefits as they will have limited income and other priorities.
- Any individual who has a child who is already covered for the maximum cover under other ChildShield policies.

Fair Value Assessment

This section sets out what benefits are provided under ChildShield 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

ChildShield is a contract between MetLife and the policyholder. The policy pays a specified benefit to the policyholder depending on the cover selected. The policy provides policyholders with a lump sum benefit if an eligible child suffers broken bones, spends time in a UK hospital due to an accident or suffers a policy- specified serious medical condition. Once cover has been held for at least 12 months, it also covers stays in UK hospitals for sickness. The customer can choose either one level or two levels of cover. If two levels of cover are selected this can be reduced to one level at any time. The benefit for each level of cover is shown below (if you have two levels of cover, the benefit level shown below is doubled):

Event	Policy benefits per level
Broken bones Major broken bone (arm, ankle, back, cranium, hip, leg, mandible, neck, pelvis, shoulder, or wrist) Minor broken bone (any other broken bone that is not a major broken bone) Nose is excluded. If a bone is broken in more than one place, the benefit is only payable once per broken bone.	£300 £100
Hospitalisation (as an in-patient, in the UK) Per complete 24-hour period in hospital because of an accident, illness, pregnancy-related complications, or for the treatment of self-inflicted injury. Per complete 24-hour period in an intensive care unit because of an accident, illness, pregnancy-related complications, or for the treatment of self-inflicted injury. Cover for hospitalisation due to illness or for the treatment of self-inflicted injury, starts after the policy has been held for at least 12 months. This 12-month moratorium may be waived at MetLife's discretion for hospitalisation associated directly with a valid serious condition claim. The 90-day pre-existing condition exclusion still applies.	£50 per day £150 per day (Maximum 90 days in total for both types of hospitalisation, per child, per condition / insured event)
Diagnosis of a serious condition Bacterial Meningitis, Type 1 Diabetes requiring insulin injections, Rheumatic Fever, Burns, Paralysis, Cancer, Benign brain tumour.	£5,000

Currently customers also have access to the following value-added services¹:

- **MetLife's Wellbeing Support Centre** provided by Health Assured, provides useful services which give access to qualified counsellors, legal advisors, and registered nurses. Access is also available for household family members which includes a spouse or partner and any brother, sister, parent, and legal dependants who live in the same household. It is also available for children or legal dependants who do not live with the policyholder but live in the UK and are in full-time education.
- **MetLife's virtual GP24 service**, provided by Health Hero, provides customers with 24-hour unlimited access to GPs by video, phone, and message consultation, combining digital convenience with access to experienced healthcare experts. Key elements of the service include:
 - **Flexible Consultation**
From video or telephone consultations, to chat messaging for quick queries or routine appointments, customers can access an experienced GP - anytime, anywhere.
 - **Private Prescriptions and Fit Notes**
Customers can obtain private prescriptions for direct delivery or collection from a local pharmacy, alongside any consultation and fit note required for the workplace.
 - **Second Opinions and Open Referrals**
Customers can consult a specialist for a second opinion, or where onward care is needed, get an open referral from a Health Hero clinician.

▪ Health Information

Online symptom checker via a fast, easy access to the UK's most comprehensive medical database, equipping the customer with trusted, reliable health information.

¹ *The value-added services are not part of ChildShield terms and conditions, and they may change in the future.*

What the customer pays

The premium a customer pays is based on the level of cover selected. There is no other additional cost to the customer. One level of cover is £6 per month and a second level of cover can be purchased for £5, for a maximum premium of £11 per month. Premiums are payable monthly by Direct Debit, with no loadings and no retail premium finance payable.

We will monitor the product at least yearly, including the premium needed to provide the policy benefits. We may increase or decrease the premium no more than every 5 years. Any increase or decrease of the premium is assessed fairly to reflect unexpected changes in our actual and expected experience of claims, expenses, policy lapses and new policies agreed, investment income we receive, or the law affecting the policy or us. We will not increase or decrease the premium for any other reason.

Temporary and permanent limitations

Beyond the eligibility requirements of age and UK residency, a policy does not require any underwriting before a customer is accepted for cover. Cover can be issued immediately. To be able to do this and keep premiums at an affordable level, there are some limitations to the cover.

Temporary limitations

- For UK hospitalisation cover due to illness, or for the treatment of self-inflicted injury, there is a 12-month waiting period from the start of the policy. Once the policy has been in place for at least 12 months, UK hospitalisation claims due to sickness are payable.

Permanent limitations

- Pre-existing condition / diagnosis - No serious condition benefit is payable if the child has previously been diagnosed with any form of the serious condition, or had tests or investigations, which led to the diagnosis of the serious condition prior to the policy start and within 90 days of the policy start date.
- Hospitalisation cover applies to stays in UK hospitals only – due to accident, illness, for the treatment of self-inflicted injury, or due to pregnancy-related complications (relating to the pregnancy of the insured eligible child). Routine neo-natal care is not covered (i.e., the new-born eligible child being born in, and remaining in hospital until such time as it is ready to go home, is not covered).
- Hospitalisation cover for pregnancy-related complications is for a minimum hospital stay of five days.
- Instances where the actions of the policyholder deliberately caused / inflicted the injury to the child, deliberately caused the child to suffer the insured event, or wilfully exposed the child to unreasonable risk leading to them suffering the insured event are not covered.

Standard exclusions apply, including (amongst others listed in the T&Cs) travel against Foreign, Commonwealth & Development Office advice, mental health and failure to follow medical advice.

Distribution arrangements

ChildShield is sold by financial intermediaries that are authorised and regulated by the Financial Conduct Authority.

The premium includes an amount attributable to the commission paid to distributors for the work they do in product distribution, ongoing advice (if applicable) and customer service, including addressing any customer vulnerability. This gives our distribution partners further options to improve the overall protection offering for customers and reduces the risk of duplication of cover with other protection policies.

Any change in remuneration levels does not impact the premium a customer pays. Remuneration levels are not linked solely to sales performance i.e., higher sales are not incentivised by higher commission, thereby removing conflicts of interest. Any increase in distributor remuneration is only done so with corresponding sales quality demonstrated. The commission MetLife pays to its distributors is reflective of the work they undertake, and the value they add, which we expect to include customer acquisition, 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.

Outcome of fair value assessment

Our fair value assessment identified the following factors for ChildShield:

- Pricing assumptions (including remuneration paid, expenses and profit) will provide customers with a low-cost premium which is fixed for five years and will not overstretch affordability. This provides the customer with certainty and peace of mind over that period.
- Based on our existing child cover claims experience and the expected claim incidence rates, we are confident claim ratios will be at a level which will provide value to customers.
- The current high levels of claim acceptance rates for our child cover portfolio will equally apply to ChildShield.
- There will be a continued focus to settle claims quickly.
- The customer can claim immediately for accidents arising after policy issue.
- The customer will receive the same existing high levels of customer service, which will improve further with the introduction of modern technology.

At the same time, we acknowledge that not all customers will experience those unfortunate events that give rise to a claim.

For ChildShield 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 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, and in line with standard market practices. We do not expect that any other remuneration will be paid by the customer for the distribution of this product, nor do we expect the customer to pay any financial “penalty” to the distributor if they decide to stop paying premiums.

Additionally, customer value is strengthened by the provision of a virtual 24-hour GP service and our Wellbeing Support Centre which gives access to qualified counsellors, legal advisors, and registered nurses.

In conclusion, the fair value assessment concludes that the ChildShield proposition will offer 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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