

Product Governance, Fair Value and Consumer Duty:

Outcomes and Approaches for Group Risk Insurance

Legal & General are committed to providing products that meet our customers' needs and offer fair value. We have built a customer centric approach to product development with robust governance processes to ensure we meet customer needs.

We maintain, operate and regularly review a product approval process that ensures our products provide fair value and good outcomes for the customers who the products are intended for. This process also meets our regulatory requirements as a manufacturer of insurance products. We must also provide information to assist our distributors in their own fair value assessments.

This document provides a summary of Legal & General's:

- Approach to product governance
- Approach to Value For Money (VFM)
- Product target markets, who they are suitable for and not suitable for and distribution strategies.

Group Protection

L&G Group Protection contracts meet the definitions of being a long-term insurance contract and a non-investment insurance product.

The contracts are provided to employers who we classify as commercial customers. The contracts are taken to market on an advised basis predominantly through insurance intermediaries. The employer chooses the insurance policy cover and defines the categories of employees to be insured who may benefit from the policy and from access to additional non contractual products and services.

Legal & General recognise that although the contracts are purchased by commercial customers, employees (retail customers) could be beneficiaries of the policies and impacted in areas such as claims processing.

Legal & General adopts a proportionate approach to the Consumer Duty framework for Group Protection and to the delivery of good customer outcomes and fair value.

Product Governance Overview

Product approval, development, and management at Legal & General, for Group Protection products, is conducted through our robust Product Lifetime Management (PLM) process. Before we launch a product, it must satisfy internal governance assessments that demonstrate:

- a clear customer need,
- identified target customer group,
- customer value,
- that customers understand the product and features and any opportunity for customer confusion is identified and mitigated, and
- agreement of the appropriate distribution channel(s)

These assessments can include research if the proposition is considered sufficiently different, as well as literature and communication research to ensure customers understand key communications.

Once launched, we will review new propositions within a year to ensure they are performing as expected. We will then conduct further reviews at regular intervals thereafter, even when a product is no longer open to new business, to ensure customers continue to receive good outcomes.

The reviews include VFM assessments, lapse investigations, cancellation analysis, feedback from distributors, claims paid as a percentage of expected claims, claims not paid with reasons, plus customer complaints by cause. We believe these reviews provide on-going diligence that the propositions are performing as they were designed to for our customers.

We also apply the same rigour and consideration to significant product changes as we do for new product launches.

How we approach VFM Assessments

When assessing whether a product provides VFM we consider, in the very broadest terms, the price paid by the customer against the quality of the product and service they receive.

During these VFM assessments we consider the following areas:

- the effectiveness of our product governance and oversight,
- whether the products were being sold to the correct target market, and if distribution channels remain appropriate,
- our claims experience,
- customer servicing, including claims payment times,
- complaint information,
- fair pricing, including the cost of distribution,
- distributor quality.

These assessments also consider the components as well as the overall package.

In addition to this assessment, we regularly compare the prices of our product with similar products in the market to ensure our offering remains competitive.

The outcome of our assessments, by product, are as follows:

Product Name	VFM Assessment Outcome	Date VFM Passed
Group Death in Service including Dependants Pension	✓ Pass	Feb 2024
Group Income Protection	✓ Pass	May 2024
Group Critical Illness	✓ Pass	Sept 2023
Ill Health Early Retirement Benefits	✓ Pass	Sept 2023

Supporting information

Governance and Oversight

We regularly review our approach to product development governance and are content that it is sufficiently robust. We are also happy with the ongoing oversight arrangements to ensure good customer outcomes throughout the customer lifecycle. Because of this we are confident that all our products are purchased by suitable customers, belonging to the appropriate target market, purchasing through suitable distribution channels.

Frequency of VFM Assessments

We complete VFM assessments for all products annually. In addition to this, every month at a macro level, a senior committee including members from second line oversight functions consider the reported VFM metrics and commentaries. If they move close to, or outside of, tolerance this is flagged for discussion and action is taken to correct the issue.

For repricing exercises, new commercial deals or changes to existing arrangements VFM will be considered as part of the sign off and agreement process.

Our Claims Experience and Information

We monitor and review the amount of claims we pay out to ensure it is a fair reflection of the premiums we receive from customers. This allows us to evaluate that the utility of the product is fair compared to the premiums we are receiving. We are content that our claims ratios are fair and have been during the assessment period.

We also assess the usage and outcomes delivered by the added value services available through our Group Protection policies and are content that these are delivering fair value.

Complaints

During the review period there were no issues identified with complaints, or any root causes, which we felt undermine the VFM of our products.

We take complaints seriously and the FCA website allows you to compare Legal & General against other firms at a high level. Complaints data can be found on the [FCA website](#).

Distribution Cost

We operate within set parameters for the payment of commission. We undertake a regular exercise to send a questionnaire to intermediaries to determine their costs of distribution, including whether they charge additional fees, so we can assess the value they bring to the distribution of the product and to the customer.

Legal & General have tolerances agreed within its governance, which we regularly review which include:

- the amount of commission due to the distributor,
- ensuring that we do not write excessive profits or losses

We are satisfied with the results of these fair value monitoring processes.

Completing a Distributor Value Assessment as a Distributor

To undertake a distribution value assessment, you will be aware of the total cost of the product to the customer and the cost of distribution including whether you take additional fees. This should enable you to complete your own assessment.

Additional Charges made to Customers by Legal & General

We do not charge customers any additional fees throughout the life of their products for such things as cancelling their policies or requiring them to use premium rate phone numbers to contact us.

Distribution Quality Metrics

We have a wealth of experience to align support to our distribution partners to ensure the proposition value is fully communicated to all customers. This includes proactive engagement throughout the renewal cycle through implementation meetings, staff benefit fairs, targeted communications and initiatives, together with regular wider knowledge share.

The underlying focus is on positive customer outcomes monitored through performance metrics and endorsed by independent market feedback. Distribution relationships are monitored through a range of sales performance measures including intermediary surveys, sales/proposition training, portfolio MI, complaints and feedback from customers.

Consumer Support, Understanding and Vulnerable Customers

Employees derive benefit from Group Protection products at claim stage and from use of their associated added value services. We've strengthened our communication and customer contact principles and updated our systems, Quality Assurance model and training to help us record, identify and support vulnerabilities and specific needs.

We've focused on our communications and the journey customers experience at medical underwriting and claims stage. We've used external focus group research, analysis of complaint and survey data, feedback from a Behavioural Science analyst and third-party agency support to identify and reduce potential harms by enhancing our key direct communications and journey processes to improve customer outcomes.

Target Market and Product Features

These contracts are aimed at commercial customers. Our eligible target market is any UK employer who wants to insure some or all of its liabilities associated with a given Group Protection product, subject to certain parameters, the suitability or unsuitability of which and the cover provided by our products is communicated to intermediaries and employers on the Product Governance page of our website and in our Technical Guides.

[Product Governance Information](#)

Added Value Services

The Group Protection proposition is about more than just financial protection and our products include a number of free to use added value services provided by expert third party suppliers which eligible members and their families can call upon for their health and wellbeing support.

We assess such "additional products" for value on an annual basis.

Product Distribution and Conflicts of Interests

All products listed above are suitable for advised and non-advised intermediated distribution.

We have not identified any conflicts of interest.