Product Governance, Fair Value (PS21/5) and Consumer Duty: outcomes and approaches



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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.

The next page provides an overview of Legal & General's:

- **approach to product governance**
- **approach to value for money (VFM) assessments and their outcomes**
- **product target markets, who they are suitable for and not suitable for, and distribution strategies**

Product Governance Overview

Product approval, development, and management at Legal & General, for retail 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 customer 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 value for money 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 as follows in the table opposite.

Product name	VFM assessment outcome	Date VFM passed
Life Insurance	✓ Pass	Sep 2025
Critical Illness	✓ Pass	Dec 2025
Whole of Life	✓ Pass	Apr 2025
Income Protection	✓ Pass	Jan 2026
Rental Protection	✓ Pass	Life - Sep 2025
		Critical Illness - Dec 2025
		Income Protection - Jan 2026
Executive Income Protection	✓ Pass	Mar 2026
Key Person Protection	✓ Pass	Life - Oct 2025
		Critical Illness - Dec 2025
Key Person Income Protection	✓ Pass	Mar 2026
Share Protection	✓ Pass	Life - Oct 2025
		Critical Illness - Dec 2025
Business Loan Protection	✓ Pass	Life - Oct 2025
		Critical Illness - Dec 2025
Relevant Life Plan	✓ Pass	Sep 2026

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

It is our intention to review VFM 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 VFM metrics we use. VFM metrics are recalculated and presented by both product and distribution channel. If they move close to, or outside of, tolerance this is flagged for discussion and action is taken to correct the issue.

We also undertake VFM assessments when repricing. At every reprice, in real time, the pricing team will check each individual pricing cell is within our VFM target. This is always carried out as a matter of course. If any cells fall outside of tolerance the price is adjusted to ensure it remains within VFM.

For new commercial deals or changes to arrangements VFM will be calculated and presented as a key metric as part of the sign off and agreement.

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.

Pay-out ratios for claims by product are published each year. They can be found **on our website**.

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. This is assessed depending on the nature of the arrangement and considers the value the distribution channel brings to the distribution of the product and, most importantly, the end 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 at a product, channel, and individual policy level

We undertook an activity to contact all distributors who had agencies with us to distribute our products. This was to understand if there were any additional fees they charged to customers, and to ask them to confirm that their they were in compliance with SYSC 19F.2 (IDD remuneration incentives).

Broadly we were satisfied with the responses we have received. In cases where we have not been, we have held discussions with the distribution firms directly.

Completing a distributor assessment as a distributor

To undertake a distribution assessment, you will be aware of the total cost of the product to the customer, this will be clear from outset. You will also be aware of 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 in helping to focus on positive customer outcomes using our rich data environments. Our key performance measures include, but are not limited to:

- complaints
- customer engagement
- application accuracy
- advisor level details
- customer feedback

We regularly provide this information to distributors and encourage you to further consider these as part of your own fair value assessment. Further information is available via our adviser centre where we provide more detail and offer support, in a range of formats, on topics such as:

- improving applications and retention
- how to use our systems
- improving client outcomes
- innovative practices, strategies, and insights for better performance

Find out more **on our website**.

Vulnerable Customers

We have a good understanding of the vulnerabilities present within the Protection customer base through extensive research and analysis and have worked with specialist charities to ensure we have the right solutions available to support our customer's needs.

All frontline staff are being trained on how to identify a vulnerability and how to then support those customers and our QA model has been updated in our operations area to ensure our agents are following the training.

We have developed a range of treatment solutions for customers including adapted communications (Braille, large print, audio, coloured paper etc), payment holidays, signposting to charities like MacMillan or Samaritans and we have put processes in place to actively signpost customers to benefits in their policy, e.g. Wellbeing support when appropriate.

In June 2020 we added vulnerable customer questions into our NPS survey and have a service recovery process in place for customers who give us low scores. Around 14% of respondents tell us that they have a vulnerability or special circumstances that they need support with. WOCAS (our customer forum – What Our Customers Are Saying) regularly reviews the feedback from customers in order to identify and deliver improvements.

Target Market and product features

Each product has a target market assessment and an overview of its features. The target market assessments show which customer groups the products are suitable for and which groups they do not provide fair value.

	Target Market Assessment	Product description and features
Life Insurance	View PDF >	Visit site >
Critical Illness with Life Insurance	View PDF >	Visit site >
Whole of Life	View PDF >	Visit site >
Income Protection	View PDF >	Visit site >
Rental Protection	View PDF >	Visit site >
Executive Income Protection	View PDF >	Visit site >
Key Person Protection	View PDF >	Visit site >
Key Person Income Protection	View PDF >	Visit site >
Share Protection	View PDF >	Visit site >
Business Loan Protection	View PDF >	Visit site >
Relevant Life Plan	View PDF >	Visit site >

Product distribution and conflicts of interests

Some products may not be suitable to be sold without advice, please refer to our Target Market statements on how these products should be distributed.

We have not identified any conflicts of interest.

Alternative formats

If you would like a copy of this in large print, braille, PDF or in an audio format, call us on **0370 010 4080**. We may record and monitor calls. Call charges will vary.

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LG3453 10/26