

# Aviva Group Protection -

## Target Market Statement

**This document is intended to be used by distributors and not provided to a customer. Aviva Life & Pensions UK Limited is the product manufacturer for these products. Full details are contained within the policy documentation.**

### Introduction and context

The Insurance Distribution Directive (IDD) is an EU directive which introduced a minimum harmonisation standard for regulation of insurance from October 2018. The effects of IDD are wide-ranging, affecting the sales journey, conduct and product oversight and governance through to conflicts of interest, complaints, training and remuneration disclosure. In October 2021 and July 2022, the FCA further strengthened the requirements in relation

to product oversight and governance following their market study into 'Pricing Practices' (PS21-05) and the introduction of the Consumer Duty regulations (PS22-09).

For the product oversight and governance part of these regulations, we would like to share with you an outline of the product approval process we use in Aviva and our product target market statements, which clarify who the product is intended for (and who it is not).

### Aviva's product oversight & governance

#### Why are you telling me about this?

Under the FCA's rules, we are required to inform you we have a governance process in place to oversee the design, approval and review of our products.

#### What controls does Aviva have in place?

We have well established governance processes which:

- formalise approval of new product developments and changes to existing products
- identify target markets for each product
- test customer understanding
- consider needs of customers who require additional support
- monitor post-sales performance.

After we introduce our products to the market, we regularly review them to check whether we need to make changes to them. This includes an annual assessment of the value received by customers through our products; this is referred to as the 'Value for Money Assessment'. The Value for Money assessment considers a range of indicators and measures which contribute to the overall value delivered to our customers. The measures include:

- *Target Market and Distribution Strategy* – Ensuring that the target market is defined at a sufficiently granular level and the distribution approaches are appropriate
- *Claims Acceptance and Pay-Out Ratio* – Review of the value of claims paid out compared to the value of premiums received
- *Commission and Margin Levels* – To ensure these are appropriate for the service received by the customer
- *Complaints* – Analysis of customer complaints to identify and resolve root causes, particularly where the product fails to deliver as expected
- *Service Delivery* – To ensure service levels are in line with those we have led customers to expect
- *Communications* – To ensure customers receive communications which are appropriate, clear, transparent and timely

## **Aviva's product oversight & governance** (Continued)

We base our level of oversight on the type and complexity of each insurance product, our identified target markets and the level of financial understanding.

The outcomes of our Value for Money Assessments can be found within our **Document Library**. Simply type in 'Value for Money' into the search tool. Within the Document Library you will also find our wider policy literature.

### **What does this mean for me?**

As product manufacturer, we will monitor the performance of our products to make sure they meet the needs of customers in the identified target markets. Should you feel a product doesn't meet these customers' needs or is potentially unclear, you can help us by providing feedback through your usual communication channels.

## Target market statements

### Why are you telling me about this?

The rules require us to consider several points when designing our product range, including:

- specifying an identified target market for a typical group of potential customers
- identifying relevant risks to the target market
- making sure that the intended distribution strategy is appropriate for the identified target market
- requiring us to take reasonable steps to make sure we distribute the insurance product in line with the target market for specified distribution channels.

### What does this mean for me?

We have developed target market statements to give you, our distributor, clarity on who the product is intended for (and who it is not) and how customers can buy the product.

Using these target market statements should help you in your consideration of:

- how the distribution strategy aligns with the target market statement
- the demands and needs of the customer
- whether any of the customers may be outside of the target market due to eligibility or exclusions
- what limitations, exclusions or existing alternative insurance cover that is in place might inhibit a customer from getting full value from the product
- that fees and charges are appropriate to the service being delivered for customers
- vulnerable customers and the target market focusing on whether they may require additional support in their decision-making.

### Can I sell outside of the target market?

The target market is aimed at a broad range of customer types. You shouldn't assume a product is appropriate simply because the customer is in scope. Equally, a customer may benefit from buying the product even if they are out of scope. During the sale, you will be closest to the customer in identifying their demands and needs and your judgement will decide what is right.

We set the distribution channels for how you can sell the product (for example, online or face to face) and we expect you to follow these. If you believe you could use an alternative distribution channel, please get in touch with us, so we can consider your proposal.

### Feedback

If you have any feedback on these statements, please contact your usual Aviva representative.

## Group Protection Target Market

- Our standard products are suitable for commercial customers (employers) with more than 5 employees they wish to cover
- Our Aviva Group Protection Online (AGPOL) quote service is suitable for employers with between 3-250 employees and allows an intermediary to create, amend and place policies on risk
- Our Flexible Benefit schemes are normally available to employers with more than 250 employees, or 100 employees for Group Life Lump Sum where a core level of benefit is provided and will require the employer to have a suitable flexible benefits platform in place to administer each members' benefit. These products are not available on AGPOL.

The premiums are paid to Aviva by the employer/partnership as agreed and cover must be clearly defined for each set of employees. Our standard products are not designed for a member to choose whether they are included or not. There are circumstances where our products are not suitable, and these are set out below.

For full details please refer to the product technical guides that can be found on our website.

### **Can I sell Group Protection products without advice?**

This document is designed to provide insurance intermediaries with details to help them understand the target market for Aviva's currently marketed Group Protection products. Our products are designed to be used by employers who will typically require the help of an intermediary for advice and/or recommendations. Our products have several features and options which may need to be explained to the employer so we would normally expect this product to be available through an intermediary's distribution strategy.

### **How can I sell Group Protection products?**

You can sell Aviva Group Protection products face to face or by telephone.

## Group Life – target market statement

### Who is Group Life designed for?

The target market covers a broad range of employer types but will typically be suited to UK, Channel Islands or Isle of Man registered employers who wish to provide a lump sum payment, and/or a dependant's pension to an employee's dependants via a discretionary trust in the event of the death of an employee.

It is important that the employer has the right trust in place and there are several trust options as follows:

For lump sum benefits:

- A scheme registered with HM Revenue & Customs (HMRC) established by the employer. A member's benefit under a registered Group Life policy will count towards their individual Lifetime Allowance (LTA). From the start of the 2023/24 tax year, the LTA charge is being removed before a proposed abolition of the LTA completely from the 2024/25 tax year. From the start of the 2023/24 tax year, whilst the LTA charge (55% on lump sums in excess of the LTA) is being removed, lump sums in excess of the LTA will be treated as pension income and charged at the beneficiary's marginal rate of income tax.
- An excepted Group Life policy established by the employer that is subject to the rules defined as set out in section 480(3) of the Income Tax (Trading and Other Income) Act 2005
- Aviva's Master Trust – an existing registered and excepted trust administered by an independent third-party trustee meaning the employer doesn't need to set up and manage their own trust. There is no additional cost to join the Aviva Master Trust arrangement.

For dependant's pension benefits:

- A scheme registered with HM Revenue & Customs (HMRC) established by the employer. Benefits paid do not count against the member's Lifetime Allowance but membership may mean that for those members who had applied for Fixed or Enhanced Protection could lose it.

Aviva's Group Life is covered by the following customer segments:

- UK, Channel Islands or Isle of Man registered employers with 5 or more insured members
- UK, Channel Islands or Isle of Man registered employers with between 3 and 250 insured members for applications through Aviva's on-line quotation facility
- UK, Channel Islands or Isle of Man registered employers with more than 100 insured members for a flexible benefits arrangement
- Members between the ages of 16 and 75.

Dependant's pension benefits are not available through Aviva's on-line quotation facility or under a flexible benefits arrangement.

This product is suitable for employees with a contract of employment with a UK, Channel Islands or Isle of Man company or equity partners as evidenced by a partnership deed or contract. The members need to be working in the UK, Channel Islands or Isle of Man or one of our standard territories. We may agree to cover individuals who are working or residing outside of our standard territories and we will require details before we agree to cover them.

### What customer need does this product meet?

This product is designed for an employer to provide a lump sum benefit and/or a regular income to financial dependants for their employees in the event of their death. The money payable following a successful claim could be used to help loved ones with ongoing financial costs or to perhaps pay off a debt such as a mortgage or loan. The cover can prove invaluable in the event of unexpected death, to help avoid the extreme financial hardship this could bring to an employee's family.

The product is designed for the employer to choose the level of lump sum benefits (fixed amount or multiples of salary), whether the dependant's pension is a spouse's, dependant's or children's pension based on a percentage of the employee's salary or on a proportion of the employee's prospective pension. The employer can also choose whether to insure all employees or a category of employees, when new entrants can join the scheme and the age at which benefits will cease. The policy is placed under trust and operates under a set of scheme rules.

## **Group Life – target market statement (Continued)**

We will, in the event of the death of a member, pay lump sum claim benefits as advised by the trustees and as lump sums usually do not form part of a member's estate, they can be paid quickly and are not usually subject to inheritance tax. A dependant's pension is usually paid directly to the dependant, but they are treated as pension income and therefore subject to income tax. A spouse's pension is payable to a spouse only (legal spouse or civil partner), whereas a dependant's pension is payable to a financial dependant of the member. Payments made to adult dependants will continue for life and children's pensions are payable until the age of 23 unless the child is dependant because of disability. The pension is provided by Aviva.

For lump sum benefits, the product can be used as part of an employer's flexible benefit arrangement where an employer funds a core benefit and gives employees the opportunity to choose an element of cover that's right for their individual needs and budget. A taxable benefit in kind can arise where excepted group life premiums are funded under an optional remuneration arrangement (e.g. salary sacrifice). The employer will need to have a suitable flexible benefits platform in place to administer each members' benefit.

### **Who is Group Life not designed to support?**

This product is not suitable for the following:

- Aviva Registered Group Life – policies where there is no registered scheme with HMRC, trustee or employer
- Aviva Excepted Group Life – policies where there is no trust, trustees or employer
- Aviva Master Trust – policies where there is no registered employer
- Employers who wish to insure fewer than 5 members, fewer than 3 or more than 250 members for applications through the Aviva Group Protection Online facility or fewer than 100 members for a Flexible Benefits arrangement
- Employers or partnerships who are not registered in the UK, Channel Islands or Isle of Man
- Employers with members who are not in the UK, Channel Islands or Isle of Man or one of our standard territories, unless otherwise agreed
- Equity partners only registered schemes (equity partners can only be covered if the scheme also includes employees)
- Employers who wish to provide cover beyond the age of 75

Dependant's pension benefits are only available under a scheme registered with HMRC and established by the employer. It is not available under the Aviva Master Trust.

The policy will not have or accrue a surrender value.

## Spouse Partner Life Assurance (SPLA) – target market statement

### Who is Spouse Partner Life Assurance (SPLA) designed for?

The target market covers a broad range of employer types but will typically be suited to UK, Channel Islands or Isle of Man registered employers or trustees who wish to provide life cover for an employee's spouse or partner through a flexible benefits arrangement. Aviva Spouse Partner Life Assurance is covered by the following customer segments:

- The policy is subject to the requirements for being an excepted group life policy being satisfied as set out in section 480(3) of the Income Tax (Trading and Other Income) Act 2005
- UK registered employers or trustees with 100 insured members under a linked Aviva Group Life flexible benefits policy
- Members between the ages of 16 and 75.

This product is suitable for employees with a contract of employment with a UK, Channel Islands or Isle of Man registered company. The spouse/partner needs to be working or residing in the UK, Channel Islands or Isle of Man or one of our standard territories. We may agree to cover individuals who are working or residing outside of our standard territories and we will require details before we agree to cover them.

The employer will need to have a suitable flexible benefits platform in place to administer each members' benefit.

### What customer need does this product meet?

This product is designed for employers/trustees who wish to provide lump sum financial protection in the event of the death of an employee's spouse, civil partner or nominated partner. It may help cover financial commitments, such as mortgage or rent payments, bills and general living expenses which could otherwise become a challenge.

The lump sum benefit covered is provided in multiples of £10,000 or £25,000 up to a maximum benefit of £250,000. The employer/trustee chooses the maximum benefit level for their scheme. The insurance cover is voluntary, and premiums are collected by the employer through a salary sacrifice arrangement. Spouse Partner Life Assurance premiums are normally taxable on the employee as a Benefit in Kind. Lump sum benefits under Excepted Group Life Insurance Schemes are usually paid tax-free by the trustees.

The employee chooses the amount of cover they wish to insure within the levels chosen. A short health declaration must be completed for the spouse/partner before full cover is provided. We may need to obtain medical information and if this is needed, we will advise accordingly.

### Who is Spouse Partner Life Assurance (SPLA) not designed to support?

This product is not suitable for the following:

- Where there is no trust, trustees, or employer in place
- Employers or trustees who are not registered in the UK, Channel Islands or Isle of Man
- Employers with employees or spouse/partners who are not in the UK, Channel Islands or Isle of Man or one of our standard territories, unless otherwise agreed
- Spouse, civil partners or nominated partners who are not financially dependent with an employee
- Employers who wish to provide cover beyond the age of 75
- The self-employed

The policy will not have or accrue a surrender value.

## Group Income Protection – target market statement

### Who is Group Income Protection designed for?

The target market covers a broad range of employer types but will typically be suited to UK, Channel Islands or Isle of Man registered employers who wish to protect their employees or equity partners (members) financially by providing a proportion of their income while supporting their recovery and return to work. Aviva Group Income Protection is covered by the following customer segments:

- UK, Channel Islands or Isle of Man registered employers with 5 or more insured members
- UK, Channel Islands or Isle of Man registered employers with between 3 and 250 insured members for applications through Aviva's on-line quotation facility
- UK, Channel Islands or Isle of Man registered employers with more than 100 insured members for a flexible benefits arrangement
- Members between the ages of 16 and 70.

This product is suitable for employees with a contract of employment with a UK, Channel Islands or Isle of Man company or equity partners as evidenced by a partnership deed or contract. The members need to be working in the UK, Channel Islands or Isle of Man or one of our standard territories. We may agree to cover individuals who are working or residing outside of our standard territories and we will require details before we agree to cover them.

### What customer need does this product meet?

The product is designed for an employer who wishes to help manage sickness absence costs and provide early intervention support in the workplace as promised, if in an employee's contract of employment or agreed in a partnership deed, if a member is unable to work and is suffering a loss of earnings because of illness or injury. It also provides a reduced replacement of income if, due to illness or injury, a member needs to take a part-time or lower paid job.

The product is designed for the employer to flexibly choose the definition of incapacity they wish to insure and an amount of income that can be replaced, up to a maximum of 80% for employees and 50% for Equity Partners. The employer also has a choice of how soon and for how long income is paid and what level of claim payment escalation is suitable. Payments will start at the end of the agreed period and are paid to the employer (except Equity Partners who we will pay directly) to pass on to the employee as appropriate. The proceeds arising from premiums fully funded by the employer should be taxed through PAYE as general earnings.

For employee cover, there are options to provide a lump sum at the end of a limited payment term to help the employer meet the costs involved in providing a support package to their employee upon the early retirement, redundancy, and/or replacement of a member. There are also options to provide cover for employer and employee pension contributions and employer's national insurance or social security contributions.

There are also product variations available as follows for employee schemes:

**Pay Direct** – offers an employer the choice of whether they receive benefit payments or whether they would like these paid directly to a former employee.

**Flexible Benefits** – an employer funds a core benefit and gives employees the opportunity to choose an element of cover that's right for their individual needs and budget. Premiums funded in this way may be taxed as a benefit in kind. Proceeds arising from premiums funded under an optional remuneration arrangement (e.g. salary exchange) may be taxed differently depending on HMRC guidance rules and advice should be obtained before making payment. The employer will need to have a suitable flexible benefits platform in place to administer each members' benefit.



## Group Income Protection – target market statement (Continued)

### Who is Group Income Protection not designed to support?

This product is not suitable for the following:

- Employers who wish to insure fewer than 5 members, fewer than 3 or more than 250 members for applications through the Aviva Group Protection Online facility or fewer than 100 members for a Flexible Benefits arrangement
- Employers or partnerships who are not registered in the UK, Channel Islands or Isle of Man
- Employers with employees or equity partners who are not in the UK, Channel Islands or Isle of Man or one of our standard territories, unless otherwise agreed
- The self-employed (other than Equity Partners)
- There are some occupations that we are unable to insure or can only be insured under a different definition of incapacity
- Employers who wish to provide an income of more than 80% of earnings for employees or 50% for Equity Partners
- Employers who wish to provide cover beyond either State Pension Age (SPA) or a fixed age of 70
- Members who are not working at the policy start date will not be covered until they make a full and active return to work.

Group Income Protection benefits will not be paid if the employer continues to pay salary in full, so it is important that the deferred period chosen is aligned to when salary is due to reduce.

The policy will not have or accrue a surrender value.

## Group Critical Illness – target market statement

### Who is Group Critical Illness designed for?

The target market covers a broad range of employer types but will typically be suited to UK, Channel Islands or Isle of Man registered employers who wish to provide their employees with a tax-free lump sum benefit if they are diagnosed with one of our defined critical illnesses or undergo one of the operations covered. No other critical illnesses or operations are covered other than those we list. It offers a choice of different levels of cover to suit different business needs or budgets. Cover for employee's children is automatically included and a customer can choose to cover an employee's spouse/partner for an additional cost. Aviva Group Critical Illness is covered by the following customer segments:

- UK, Channel Islands or Isle of Man registered employers with 5 or more insured members
- UK, Channel Islands or Isle of Man registered employers with between 3 and 250 insured members for applications through Aviva's on-line quotation facility
- UK, Channel Islands or Isle of Man registered employers with more than 250 potential members or 50 insured members for a flexible benefits arrangement
- Members between the ages of 16 and 70.

This product is suitable for employees with a contract of employment with a UK, Channel Islands or Isle of Man company or equity partners as evidenced by a partnership deed or contract. The members need to be working in the UK, Channel Islands or Isle of Man or one of our standard territories. We may agree to cover individuals who are working or residing outside of our standard territories and we will require details before we agree to cover them.

### What customer need does this product meet?

This product is designed for an employer who wishes to provide some financial security in the event that one of their employees or, if chosen, their spouse/partner suffers from a critical illness or undergoes a serious operation and survives for at least 14 days. The money is payable to the member following a successful claim and can be used without any limitation, for example the money could be used to help with ongoing financial costs, pay for private medical treatment or to perhaps pay off a debt such as a mortgage or loan.

Critical illness means cover for a list of specified conditions such as some cancers, heart attacks and strokes. The 'critical illnesses' that are covered are likely to impact a customer's lifestyle and their ability to work, therefore financial protection in the event of this happening could be essential if there are no other provisions or savings in place.

The employer decides the level of benefits they wish to provide. We allow a maximum lump sum benefit of five times the employee's salary, subject to a maximum of £500,000 per claim, and there are several product variations available as follows:

**Standard Cover or Extended Cover** – offers an employer a choice of the number of critical illnesses or operations they wish to cover

**Total Permanent Disability Cover** – provides an option to insure a permanent inability to be able to work

**Spouse/Partner Cover** – offers an employer the option to provide cover for an employee's spouse or partner

**Cancer Drugs Fund** – an option to cover cancer drugs fund treatment costs recommended by the NHS

**Flexible Benefits** – gives employees the opportunity to choose an element of cover that's right for their individual needs and budget. The employer will need to have a suitable flexible benefits platform in place to administer each members' benefit. Group Critical Illness premiums are taxable on the employee as a Benefit in Kind.

## **Group Critical Illness – target market statement** (Continued)

### **Who is Group Critical Illness not designed to support?**

This product is not suitable for the following:

- Employers who wish to insure fewer than 5 members, fewer than 3 or more than 250 members for applications through the Aviva Group Protection Online facility or fewer than 100 members for a Flexible Benefits arrangement
- Employers or partnerships who are not registered in the UK, Channel Islands or Isle of Man
- Employers with employees or partners who are not in the UK, Channel Islands or Isle of Man or one of our standard territories, unless otherwise agreed
- Employers who wish to cover critical illness definitions or operations not covered under those we list
- The self-employed (other than Equity Partners)

There is no medical underwriting needed for members, although the product is subject to a pre-existing, associated and related conditions exclusion. This means that we will not pay a claim for an illness or operation that existed before they joined the employer's scheme or is associated to that illness or operation. In addition, we will not pay a claim that occurs within two years of joining that is related to an insured condition due to treatment, symptoms, advice or awareness.

The policy will not have or accrue a surrender value.

## Need this in a different format ?

Please get in touch if you'd prefer this document (**GR06477 05/2023**) in large font, braille or as audio.

## How to contact us

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 [Aviva.co.uk](https://www.aviva.co.uk)

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