



## MetLife MortgageSafe

### Fair Value Assessment

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

### Target market

MortgageSafe is for individuals who are looking to protect their monthly mortgage repayments in case they are unable to work due to accident and /or illness. The monthly benefit is used to pay the mortgage.

MortgageSafe can be taken out by an individual who is:

- at least 18 and before their 60th birthday;
- resident in the UK;
- employed for at least 16 hours a week, every week, taken as the average number of hours worked per week in the 6 months up to the proposed policy start date;
- in continuous employment or continuously self-employed for at least 6 months, or be on a fixed term contract for at least 24 continuous and consecutive months with their current employer before the start date of the policy; and
- eligible for a mortgage at the time of application and have or will have at least 5 years left on their mortgage.

The proposition particularly appeals to the following key target segments:

- Individuals who are highly dependent on a monthly income and have a mortgage – typically mass market 25-45 year olds.
- Self-employed individuals who don't get sick pay or holiday pay where protection against income shortfalls is critical.
- First time buyers who want peace of mind in case of an accident or illness which means they are unable to work.
- In respect of the optional Child Cover benefit, families that want additional protection in case they need to take time off work to look after a child that has broken a bone, been hospitalised or been diagnosed with cancer – *excluding less advanced cases.*

MortgageSafe 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 MortgageSafe 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 outside of the target market expected age range but still meet eligibility criteria. We expect the financial intermediary to be in the best position to identify the customer's needs and requirements, and whether MortgageSafe is appropriate for their individual circumstances.

## Non-target market

As well as understanding who MortgageSafe 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, and we do not expect sales to be made to these demographics:

- Those with enough other resources to protect them should they be unable to work.
- Those who have income protection in place already – either individually or provided through their employer, though consideration should be given as to the extent of coverage and what the individual would do if they are unable to work due to accident or illness.
- Those who need unemployment cover should they no longer work due to reasons other than accident or illness.
- Those who are unemployed and / or receiving State benefits, as they are not eligible to take out the cover.

## Fair Value Assessment

This section sets out what benefits are provided under MetLife MortgageSafe 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

MortgageSafe is a contract between MetLife and the policyholder. MortgageSafe is a protection policy designed to protect an individual's monthly mortgage payments for up to £1,500 per month in the event they are unable to work as a result of accident or illness for at least 4 weeks. Benefits can be paid for 12 or 24 months whilst the individual is unable to work. Core Cover insures accidental disability only, whilst Essential12 and Essential24 insure accidental and sickness disability.

<b>Core</b>	Accident only cover 4 week waiting period 12 month benefit payment period No health questions asked
<b>Essential12</b>	Accident & illness cover 4 week waiting period 12 month benefit payment period Health questions asked
<b>Essential24</b>	Accident & illness cover 4 week waiting period 24 month benefit payment period Health questions asked

Currently customers also have access to the following value-added service<sup>1</sup>

**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.

<sup>1</sup> The value-added services are not part of MortgageSafe terms and conditions, and they may change in the future.

During a period of claim, premium payments are refunded back to the customer, and individuals can add child cover, providing lump sum cash benefits in the event their child suffers a broken bone, hospitalisation, or is diagnosed with cancer.

Cover for sickness disability is medically underwritten, individuals must be UK resident, working, and aged 18 to 59 to take out cover with at least 5 years remaining on their mortgage. Exclusions apply. Cover expires no later than 70<sup>th</sup> birthday.

The policy allows for changes to the amount and / or level of cover. Policyholders can reduce their amount and / or level of cover at any time during the term of the policy.

Policyholders can add optional child cover at any time during the term of the policy.

Policyholders can request an increase in their level of cover at any time during the term of the policy. This is subject to medical underwriting and acceptance.

### **Core Cover**

Policyholders can request an increase in the amount of cover when there are changes to their mortgage repayments, they are moving to a new house and / or following mortgage lender approval of a higher mortgage repayment amount.

### **Essential12 or Essential24 Cover**

Policyholders can request an increase in the amount of cover when there are changes to their mortgage repayments, they are moving to a new house and / or following mortgage lender approval of a higher mortgage repayment amount. Increases up to 20% permitted without medical underwriting. Increases more than 20% subject to medical underwriting and acceptance.

### **What the customer pays**

Premiums are rated on age, smoker status, body mass index (BMI), occupation, mortgage term, and amount / tier of cover. Premiums are payable monthly by Direct Debit, with no loadings and no retail premium finance payable for monthly premium payments.

We monitor the premium needed to provide the policy benefits. We may increase or decrease the premium no more than every 2 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**

In addition to eligibility, Essential12 and Essential24 cover is subject to medical acceptance. There are also some additional limitations to the cover to keep premiums at an affordable level.

#### Temporary limitations

- **4 week waiting period:** benefit is not payable until the policyholder has been unable to work for at least 4 weeks. Periods of being unable to work of at least 1 week due to the same cause and occurring within 6 months of the end of the previous absence can be linked for the purpose of the waiting period being met.
- **12 month waiting period for hospitalisation due to sickness** (Optional Child Cover): once cover has been in place for at least 12 months, hospitalisation claims due to sickness are payable.
- **90 day waiting period for cancer – excluding less advanced cases diagnosis benefit** (Optional Child Cover): benefit is not payable if the eligible child is diagnosed with cancer – *excluding less advanced cases* during the first 90 days of cover.

Benefit is also not payable if the eligible child has any medical tests or investigations during the first 90 days of cover which subsequently lead to the diagnosis of cancer – *excluding less advanced cases*.

## Permanent limitations

- **Exclusions including unemployment, occupation-related and mental health** (All cover): the policy does not cover any claim caused directly or resulting directly in whole or in part by or from a number of reasons listed as exclusions. These include those relating to unemployment, occupation of the policyholder and / or eligible child, and mental health.
- **Individual medical underwriting exclusions** (Essential12 / Essential24): one or more exclusions may be applied to the policy as a result of medical underwriting. Applicants are informed and must accept these prior to the policy going on-risk.
- **Pre-existing cancer exclusion** (Optional Child Cover): benefit is not payable if the eligible child has previously been diagnosed as having any form of cancer – *excluding less advanced cases* prior to the start of cover.
- Benefit is also not payable if the eligible child has had any medical tests or investigations prior to the start of cover which subsequently lead to the diagnosis of cancer – *excluding less advanced cases*.

## **Distribution arrangements**

MortgageSafe 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 MortgageSafe:

- Pricing assumptions (including remuneration paid, expenses and profit) will provide customers with a low-cost premium which is fixed for two years and will not overstretch affordability. This provides the customer with certainty and peace of mind over that period.
- Based on our claims experience to date and the expected claim incidence rates, we are confident benefit ratios will be at a level which will provide value to customers.
- The current high levels of claim acceptance rates for Accident & Health products will also apply to MortgageSafe.
- There will be a continued focus to settle claims quickly.
- The customer will receive the same existing high levels of customer service, which will improve further with the introduction of modern technology.
- Training has been provided to all MetLife Customer Service staff to help and support customers facing vulnerabilities.
- The customer will have access to a 24-hour virtual GP services, providing flexible consultations, private prescriptions, second opinions & referrals; and access to an online symptom checker.

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

For MortgageSafe 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 normally expect that 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, which we believe to be unfair, if they decide to stop paying premiums.

In conclusion, the individual elements and overall package offer fair value.

## **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 assessment.

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