



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.

Characteristics of the target market

MortgageSafe is for individual customers 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:

- Customers who are highly dependent on a monthly income and have a mortgage with at least 5 years to run.
- Self-employed customers who don't get sick pay and 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.

Customers for whom the product may not provide the intended value

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 Customers are not our usual target market:

- 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, for example redundancy.
- Those who are unemployed and / or receiving State benefits, as they are not eligible to take out the cover.

Financial intermediaries should not automatically assume that MortgageSafe is appropriate just because the customer falls within the expected target market. 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.

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 for at least 4 weeks due to an accident or illness. Benefits can be paid for 12 or 24 months while the individual is unable to work. Core Cover insures accidental disability only, while Essential12 and Essential24 insure accidental and sickness disability.

Customers can add child cover at any time during the term of the policy. This provides lump sum cash benefits in the event their child suffers a broken bone, hospitalisation, or is diagnosed with cancer.

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

Cover for sickness disability is medically underwritten, and Cover expires no later than 70th birthday. Exclusions apply.

Claim eligibility is not affected by other payments the customer is receiving, e.g. from Income Protection products. During a period of claim, premium payments are refunded back to the customer.

The policy allows for changes to both the monthly benefit and level of cover. Customers can reduce their monthly benefit or level of cover at any time during the term of the policy. Increases in the monthly benefit or level of cover may be subject to medical underwriting and acceptance. Further details are provided below and detailed in the policy terms and conditions.

Core Cover

Customers can request to increase the monthly benefit or level 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

Customers can request an increase to the monthly benefit or level of cover when there are changes to their mortgage repayments, they are moving to a new house, or following mortgage lender approval of a higher mortgage repayment amount. Monthly benefit increases up to 20% are permitted without medical underwriting. Increases higher than 20% are subject to medical underwriting and acceptance. Moving up a cover level, e.g. from Core to Essential12 or Essential24, is also subject to 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 underwriting and 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 that 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 several 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 after 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 that subsequently leads to the diagnosis of cancer – *excluding less advanced cases*.

Currently customers also have access to the following value-added services:¹

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 workplace².
- **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 MortgageSafe terms and conditions, and they may change in the future.

² Fees may apply.

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 distributing the product, ongoing advice (if applicable) and client service. 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 does not impact the premium a customer pays for MortgageSafe. Remuneration levels are not linked to sales volumes i.e. higher sales are not directly incentivised by a higher rate of commission. Any increase in remuneration agreed is only done so with corresponding sales quality demonstrated.

Based on our survey results and our own internal review we are comfortable that the commission paid is reflective of the work required by our distributors to distribute the proposition and represents fair value relative to the services provided.

We do not normally expect that other remuneration will be paid by the customer for the distribution of MortgageSafe, nor do we normally expect the customer to pay any financial “penalty” to their financial intermediary if they decide to stop payments. Should there be any other charges to the customer by the intermediary these must be reasonable, clearly explained to the customer and applied fairly.

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 fair 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.
- Claim ratios and claim payment rates are in line with expectations and provide value to customers. There is a continued focus to settle claims quickly. At the same time, we acknowledge that not all customers will experience those unfortunate events that give rise to a claim.
- Service standards and service levels are high and consequently deliver value to customers. Customers can contact us by letter, email or phone.
- We are satisfied that we are implementing the required processes to achieve our objective that Vulnerable Customers receive outcomes equally as good as other customers.
- The review did not identify any significant communication concerns that have resulted in customer detriment.
- We have low numbers of servicing complaints which we believe reflects the levels of service provided and claim decisions made.
- The customer benefits from a 24-hour virtual GP services, providing flexible consultations, private prescriptions, second medical opinions and referrals; and access to an online symptom checker.
- We consider that sales via our chosen distribution channel are reaching our target market, and that the remuneration paid to distributors is fair relative to the value of advice (if provided), and the services we expect them to provide.
- Customer outcomes are formally reviewed every three months at an Executive level.

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. These are in line with Consumer Duty Outcomes 1 and 2.

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 fair value assessments

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.

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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