

IMPORTANT INFORMATION FROM LEGAL & GENERAL INSURANCE.

MARCH 2010

Changes to our Mortgage Payment Protection Insurance (MPPI)

In October 2009 the insurance industry reached an agreement with the FSA with regards to MPPI. This was to ensure that all variation and cancellation clauses, in new and existing MPPI policies, are fair and appropriately disclosed to customers.

This agreement affects both new and existing customers, but the changes will be delivered in two phases.

Phase 1 – New business

Any MPPI policies that are quoted on or after 22 March 2010 for new customers must be under the terms of our revised product and must be supported by our updated policy and key features documentation.

The key changes are as follows:

Key Features / Policy Summary document changes

The format and style of this document has been completely re-designed to ensure that we clearly describe the type of policy the customer is going to purchase. The changes we've made to the wording of this and our policy booklet are detailed below.

Policy booklet document changes

New section - Explaining the policy you have chosen

In order to ensure that all terms are fairly and fully disclosed to clients that purchase a MPPI policy from us, we've introduced a new section to the front of our policy booklet. This new section, 'Explaining the policy you have chosen', outlines the following:

- What type of product the customer is being sold.
- When and how we can change a customer's premium and terms.
- A customer's cancellation rights.
- Our cancellation rights.

CONTINUED.

What type of product the customer is being sold

Our MPPI product will still be offered as a short-term monthly contract. The cover will be renewed each month for at least the first 12 months on the terms detailed in our Policy Document and at the price shown in your customer's schedule provided that they continue to pay the monthly premium. After the initial 12 months cover, we may make changes to the cover and premium, or we may decide not to continue to provide cover.

When and how we can change a customer's premium and terms

Whilst our product remains a monthly contract, we'll manage any changes to this contract to ensure that all clients can feel more confident about how long their premium and terms are valid for. In addition, we can only make changes to a customer's premium/terms in the following circumstances:

- To comply with a change in applicable law or regulation.
- If there is a change in an applicable tax.
- If there is a change in the cost of administering policies of this type.
- If we, acting fairly and reasonably, change our assessment of any of the following:
 - Our expectation about the number and/or cost of future claims for policies of this type.
 - Our expectation about the length of time that policies of this type will stay in force.
 - Our expectation about the level of future long-term interest rates.

A customer's cancellation rights

If your client decides they no longer want this policy, we will refund any monthly premium already paid provided that they notify us no later than 30 days after the start date or after they receive the policy, whichever is later. If your client decides to cancel their policy after 30 days we won't refund any of their monthly premiums, including the premium for the month in which they cancelled.

If your client has made a claim, they must keep paying the monthly premium in order to receive any benefit.

Our cancellation rights

As always, the customer may cancel their MPPI policy at any time but we've now reviewed the wording to ensure that our cancellation rights are as transparent as possible. We now advise that we're entitled to cancel a customer's policy at any time after a 12-month period of cover - provided that we notify them at least 90 days before the policy will be cancelled. The initial 12-month period will start on the first day of their cover and, if we make any changes to their monthly premium or policy terms, the 12-month period will start again from the date that any such changes have been made.

We can still cancel a customer's policy immediately for reasons of fraud.

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Additional wording and definition changes

In addition to making the above changes, we've taken the opportunity to review all of our policy wording and definitions to ensure that these are as clear as possible. A full outline of all the changes we've made and a simple explanation of what each alteration means can be found in the attached appendix. The key changes you should be aware of are:

Definition – Monthly Benefit

We have reverted to defining the maximum monthly benefit as:

- The monthly mortgage payment to your lender, plus mortgage related insurance premiums, council tax and utility bills, which cannot exceed 140% of your mortgage payment.
- The benefit shown on your schedule; whichever is the less.

Unemployment cover

A condition of making an unemployment claim is that the client must continue to satisfy the terms of a jobseekers agreement. We've clarified our conditions to cover circumstances where a customer is unable to satisfy the agreement due to being on holiday.

We will maintain the customer's normal claim payment provided:

- The holiday was booked before the claim started and documentation can be provided to confirm this; and
- The holiday period is for a maximum of 14 days.

Note – We will not make payments for any period in excess of 14 days and we will only apply this concession for one holiday period in any 12 calendar months.

Whilst we have highlighted the main changes above you should review all of the changes detailed within Appendix 1. You must consider all of the changes made to the policy when reviewing your pipeline cases.

Pipeline Process

There is a FSA regulatory requirement that for new business placed on risk on or after the 30 April 2010, documentation given to the customer must include new agreed cancellation and variation clauses.

We are aware that you may have cases where you have quoted, or will quote for customers prior to this date using the old literature and policy terms. You will need to follow the process outlined below for dealing with cases quoted using the old literature.

As these are regulatory changes, we will not be able to deviate from the process outlined below:

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For cases quoted but not yet submitted to Legal & General

If you have provided a quotation to a customer and not yet submitted this to Legal & General, their quotation documents will not include the changes we have made to the policy or the new cancellation and variation clause.

In order to ensure that we can maintain the cover and terms that you have quoted, please ensure that these quotes are submitted to Legal and General on or before the **22 March 2010** and put on risk prior to the **30 April 2010**.

Any submitted after this date will not be accepted under the old policy terms under any circumstances.

For cases quoted and submitted prior to 22 March 2010 and put on risk **before** the 30 April 2010

If you have provided a quotation using the old literature, as long as the information is submitted before the **22 March 2010**, and the policy is placed on risk before the **30 April 2010** we can fulfill these policies based on the same terms and conditions on which they were quoted.

This means that these policies will not have the new cancellation and variation clauses or other changes we have made.

Please note these customers will receive a further communication from Legal & General sometime between 1st May 2010 and the 30 June 2010, as the FSA require us to ensure that all existing policies include the new variation and cancellation clause by that date, and we will be writing to all our existing customers explaining these changes. In that communication we will not be making any other changes to their policy terms.

For cases quoted and submitted prior to 22 March 2010 and put on risk **on or after** 30 April 2010

These quotation documents do not include the changes we have made to the policy and the new cancellation and variation clause. **You will need to contact these customers** and explain all the changes to the policy wording, and how these may affect them, because they will be placed on risk under the new terms and conditions.

You must provide a new key features documents to them and consider if any advice given is still valid.

Stationery

New policy booklets and key features documents have been produced and are available to order and download from the GI Centre now. Please destroy your current stock and order new items by visiting www.gicentre.co.uk where you can either order online or download latest stationery order form. Please make sure that you have a stock of new items ready to use from the 22 March 2010 in order to ensure that your clients receive the correct information about their policy.

We are also in the process of updating our MPPI sales aids, including our training workbook. Please stop using any current versions that you may have; we'll inform you as soon as updated versions become available to order.

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Phase 2 – Existing customers

Further information about how we will be managing changes to our existing customers will follow shortly.

Contact details

For further information contact your Legal & General National Account Manager.

Alternatively, please contact IFA Support on 0800 316 5864*, option 2.

*we may record and monitor calls.

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