



This document has been produced by National Deposit Friendly Society Limited, as a product manufacturer, and outlines the assessments completed on all of our insurance products and concludes whether they provide fair value to customers, and if they do not, what remedial actions have been taken to remedy this.

The fair value assessments and product reviews are conducted by our Pricing, Underwriting and Product Working Group; which consists of a number of key operational stakeholders within the business, who complete thorough reviews of each product based on the FCA's PROD4 requirements. These reviews are scrutinised by our Executive Committee prior to acceptance. This Committee consists of senior management across all business units, and is chaired by our Chief Executive Officer.

This approach and the product reviews themselves are endorsed by our Consumer Duty Champion, who is a non-executive Director that sits on our Society Board. Our Head of Internal Audit also completes regular audits and on-going assurance and has concluded that this approach is fit for purpose.

These fair value assessments provide a full picture of our governance structure, and the framework we have in place to ensure compliance with the Consumer Duty and all other relevant regulations currently in place. They should be reviewed in accordance with the following additional documentation:

- Product Governance Framework
- Target Market Information
- Table of Metrics

We have used the following colour coded system to evaluate each section of the assessment:



Green signifies that no or only a few minor factors fall outside the acceptable range, in the next 12 months these are unlikely to negatively affect customer outcomes.



Amber signifies that some minor or key factors are outside the acceptable range, in the next 12 months there is a possible risk of these negatively affecting customer outcomes.



Red signifies that key factors are beyond the acceptable range, in the next 12 months there is a high likelihood of these negatively affecting customer outcomes.

Annuities - Key Metrics

Products & Services Outcome	<ul style="list-style-type: none">• Complaints data• Target Market data• Ancillary Benefit Usage• Customer feedback• Social media reviews
Price & Value Outcome	<ul style="list-style-type: none">• Complaints data• Profitability data• Premium data• Ancillary Benefit Usage• Social media reviews• Distributor feedback• Market conditions data
Consumer Understanding Outcome	<ul style="list-style-type: none">• Complaints data• Ancillary Benefit Usage• Social media reviews• Customer response rates• Website footfall• Customer research• Customer surveys and questionnaires
Consumer Support Outcome	<ul style="list-style-type: none">• Customer satisfaction survey results• Online review star ratings• Telephone feedback results• Social media reviews• Complaints data• Call statistics including lost calls/abandoned calls and not returned calls• Target Market data• Social media reviews• Call monitoring and listening output• Resolution timescales• Staff training completion rates

Annuities - Compliance with FCA PROD4 rules

National Deposit Friendly Society Limited is the product manufacturer		The Society has a product governance framework in place in line with the FCA's PROD4 requirements.
We have carried out an assessment on the product in line with FCA PROD4 requirements, including confirmation that we have:		
a) Identified the target market		See Target Market Information documents: <ul style="list-style-type: none"> • Immediate Care Plan • Deferred Care Plan
b) Regularly sought feedback from our distribution chain and customers.		Through on-going communications between our Business Development Managers and the distribution chain. Via our online and telephone-based customer feedback tools and the online review portals.
c) Regularly monitored and reviewed the product		Products are regularly reviewed in line with our product governance policy and framework. All products are required to be reviewed at least annually; with all reviews conducted by our Pricing, Underwriting and Product Working Group.
d) Where there has been a significant change or amendment to the product, we have put the amended product back through the full PROD4 assessment		This requirement is outlined in our product governance policy and framework which is adhered to on all occasions.
e) Considered the charging and fee structure for the product		Our pricing is based on a number of factors which formulate the overall price to customers; with differing weightings placed on each factor: administrator and claim costs, distribution costs, regulatory costs, fixed costs and overheads, and a small profitability factor sufficient to maintain the Society's capital and solvency requirements.

Immediate Care Plan & Deferred Care Plan

- Fair Value Assessment 2024



Target Market	
<p>Who is the target market?</p>	<p>The target market for our Immediate Care Plan & Deferred Care Plan products are:</p> <ul style="list-style-type: none"> ✓ Individuals who require permanent care for the rest of their lives, either immediately or within the next 5 years. ✓ Individuals with sufficient available funds to purchase an annuity; minimum level is £20,000. ✓ Individuals with sufficient available on-going funds to cover any care fees above the level of the annuity ✓ UK residents who are at least 60 years old at policy outset ✓ Individuals who want peace of mind that their care fees will be covered for the rest of the life <p>Immediate Care Plan & Deferred Care Plan are NOT suitable for:</p> <ul style="list-style-type: none"> ✗ Individuals with only short-term or ad-hoc care needs ✗ Individuals with insufficient available funds to cover the initial premium ✗ Individuals who will not have sufficient on-going funds to cover any costs above the level of the annuity ✗ Non-UK residents, or those below 60 years old ✗ Individuals seeking death benefits or critical illness cover
<p>Does the product in its current form offer fair value to target customers, including those in vulnerable circumstances?</p>	<p>Based on the assessments undertaken at product launch and subsequent monitoring and reviews of product performance the following commentary of key metrics can be evidenced:</p> <ul style="list-style-type: none"> • Low levels of complaints were recorded • Claims costs remain in line with expectations • Distribution channels remain suitable for the target market • Overall cost of the product is acceptable and continues to provide fair value • Vulnerable customers are receiving outcomes at least in line with other customer categories <p>We aim to maintain the current levels of monitoring and reviewing of products on a continuing basis with the use of effective MI an integral part of our future product governance.</p> <p>We maintain vulnerable customers training for all staff and update our training as required with changes in the regulatory expectations and market as a whole. This ensures they are aware how to identify a potentially vulnerable customer and how to amend their standard customer service experience to service their individual needs.</p>

<p>What are the intended benefits of the product to customers within the target market?</p>	<p>The product is designed to provide the following benefits to the customer:</p> <ul style="list-style-type: none"> ✓ Provides the annuitant with a defined monthly (or 28 day) payment to their registered care provider for the rest of their life ✓ Provides 100% capital protection for the first month of the policy ✓ Optional benefit of short-term capital protection for months 2 to 6: 50% protection for months 2-3, and 25% protection for months 4-6 ✓ Optional benefit of long-term capital protection (for Immediate Care Plans only) to protect between 1% and 80% of the original premium ✓ Both short-term and long-term capital protection can be added concurrently and we will always ensure that the higher amount will be paid out if requirements for both are met. Please note we will not pay out both values; only the higher value of the two ✓ Option to index payments between 3% and 10% per year; or (for Immediate Care Plans only) in line with RPI each year. Please note RPI indexation is not available if a capital protection benefit is chosen ✓ Option to defer the payment of care home fees for a period of 1, 2, 3, 4 or 5 years at the point of applying
<p>What ancillary benefits are offered with this product? How are these adding value to the product?</p>	<p>To ensure the product is priced appropriately there are no ancillary benefits applicable. Due to the nature of this product it was concluded price was the main factor in choosing the product and there were no available ancillary benefits that would add additional value to the policyholder. The policyholder is a member of the Society and is eligible to vote at our AGM.</p>
<p>Does the product offer fair value to all customers within the target market?</p>	<p>The premium payable will differ based on many factors including those outlined above. However, our pricing or product benefits are not designed to adversely impact on any customers, or specific customer categories within our specified target market.</p> <p>We regularly undertake price comparisons within the marketplace and we are confident our rates remain competitive.</p>
<p>Does the product enable suitable use by the target market?</p>	<p>The target market was finalised at product launch following market and customer research, and is considered throughout our product reviews and via market and customer feedback. Our distribution arrangements ensure the product is targeted to our specified target market. Details of the product's target market specifications can be found in its Target Market Information document:</p> <ul style="list-style-type: none"> • Immediate Care Plan • Deferred Care Plan <p>This is the only National Friendly Immediate Needs Annuity product available to new customers.</p>

Product



What product limits or exclusions are in place which the customer should be aware of?

There are certain limitations and exclusions that policyholders must be made aware of prior to applying; including that we only offer single life policies and have a minimum premium level of £20,000. Any costs in excess of the regular payment paid by the annuity must be covered by the annuitant (or a third party) outside of the annuity. The product is only open to UK residents with a minimum entry age of 60 years old. We will only pay to a care provider which is registered with an appropriate regulatory body in the UK. In addition, we will only make regular payments to the care home on a monthly or 28-day basis. If a capital protection benefit is chosen then RPI escalation is not available as an option.

Does the product allow for easy switching to another provider or product?

We are currently 1 of only 4 providers of Immediate Needs Annuities so alternative options within the market are limited.

Pricing & Distribution



What value does the product offer the customer?

Our Immediate Care Plan & Deferred Care Plan products are designed to meet the fair value requirements of our target market through the provision of a regular payment to the annuitant's desired care home or care provider to cover all, or part, of their costs for the duration of their care. The premium payable depends on a number of factors; including:

- Deferment Period selected
- Whether a level or increasing annuity is selected
- Life expectancy
- Capital Protection level selected; either short-term, long-term or both available

What is the impact of distribution arrangements on the value of the product?

A commission payment is made by National Deposit Friendly Society Limited to the intermediary. This can be paid on an indemnity or non-indemnity basis. Commission payments are taken into account when deriving premiums and are paid at a market-competitive rate. The distribution channels and arrangements for our Immediate Needs Annuity product were considered suitable for the target market and were not deemed to damage intended product value.

Please note this only includes distribution costs payable by National Deposit Friendly Society Limited to the distributor directly; the distributor must do their own evaluation to include any other relevant commission they receive.

<p>How is the impact on value of the distribution arrangements assessed and monitored?</p>	<p>The distribution channels used were identified as suitable on, and after, product launch based on the target market, our distribution strategy and the distribution strategy of the identified distributor. Due to the complex nature of the product and the potentially large premiums payable our distribution strategy insists on only allowing suitably qualified independent financial advisers, i.e. those with CF8 qualifications, to advise customers on these products. We do not accept any non-advised business.</p> <p>All distributors are monitored on an on-going basis via annual due diligence checks, complaints root cause analysis, regular interactions and meetings, and general market commentary. We also monitor the commission rates of our distributors to ensure they remain within our allowed target range and within market expectations. No charges other than commission, or a separate adviser fee, will be payable to the distributor.</p>
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Product Reviews

<p>What were the outcomes from the most recent product review?</p>	<p>The main highlights from the post-launch product review were:</p> <ul style="list-style-type: none"> • Our capital protection offering was inconsistent with the market • The deferred periods we offered was limited compared with the market
<p>What remedial actions were taken (or are being taken) following the outcomes from the most recent product review?</p>	<p>In light of the observations from the product review and market commentary, the following remedial work was conducted to improve the product:</p> <ul style="list-style-type: none"> • We amended our capital protection to offer both a short-term and long-term capital protection option. The short-term option provided a sliding scale of capital repayment across the first 6 months of the policy, with the long-term option allowing for a fixed percentage repayment of between 1% and 80%. • We increased the deferred periods allowed on our Deferred Care Plan to 1, 2, 3, 4 or 5 years.
<p>Key commentary from most recent product review and remedial work taken since.</p>	<p>The actions noted above since the last product review have helped to create a product that provides good outcomes. These added options ensure that the product is available to more annuitants within the target market as it provides a more flexible and tailored approach to purchasing an annuity and thus makes sure the product is suitable and appropriate for their financial needs, and the financial needs of their beneficiaries.</p>



What conclusions can be reached?

Based on the analysis above and the supplementary work undertaken, we believe this product offers fair value to the customer. This conclusion is based on the following factors:

Products and Services Outcome: we have tailored the features of the product to coincide with the needs and expectations of our target market. The price is the main factor when determining purchasing the product, as the target market would have very limited requirements for ancillary benefits; we therefore ensured the product did not contain any superfluous benefits that would inflate the price without necessarily providing better outcomes to the customer.

Price & Value Outcome: we have costed it competitively in line with market standards and at an appropriate price for the benefits and product differentiators on offer. We have included optional provisions, such as the short-term or long-term capital protection, to ensure that policyholders and their beneficiaries are able to protect themselves and retain some capital if the annuitant dies earlier than expected.

Consumer Understanding Outcome: we have reviewed all of our customer literature and communications to ensure they are easy to understand, jargon-free and presented in a user-friendly manner. This has been backed up by our communication testing results.

Consumer Support Outcome: we have introduced Vulnerable Customers champions to assist any representatives of the annuitant who require additional support due to any defined vulnerability. We have a dedicated customer- and broker-facing team dealing with this product who have the necessary knowledge and expertise to deal with all queries.