Summary of Q&As raised by members on the 147th Annual General Meeting of the Society

The Board regards the AGM as an important opportunity to engage with members and given that we could not invite members to attend in person this year, we encouraged members to submit questions instead. As some members raised questions of a similar nature, we have summarised these with our responses below.

Two of our members asked why we outsource the health insurance claims to AXA-PPP and expressed dissatisfaction with the service offered during the claims process.

We have outsourced the administration of medical claims for the private medical insurance policies since 2008. Between 2008-2011 we utilised a company called Healix Health Services. The Board undertook a review of Healix, in 2012 when its contract was scheduled to expire. Consideration was given to bringing the claims management in-house or outsourcing to an alternative provider. The Board considered that although bringing the claims management in house was a viable option, the costs would be higher as a result of the lack of access to hospital discount rates and that it would require significant investment and so was not a preferred option.

In 2012 we transferred the arrangement to a fellow mutual organisation, Simplyhealth. Simplyhealth were a very customer focused organisation, local to ourselves who we built a very strong relationship with. Their remit was to answer telephone calls from our members, validate & authorise claims, provide hospital guarantees and settle the invoices as they fall due. This remit has not changed.

In 2015 AXA-PPP purchased Simplyhealth's medical insurance business, which included the medical claims team working for National Friendly customers. AXA is a much larger organisation than National Friendly and has relationships with almost every provider in the UK. Part of our arrangement means our members obtain access to medical treatment at the same cost that AXA customers receive, something in isolation we would not be able to achieve.

There is a regular satisfaction survey undertaken of the claims service and our members consistently rate the overall claims service at 9.6 out of 10. We pay 99% of medical claims and have access to a pool of nurses and a Chief Medical Officer for the more complex claims that need additional management.

AXA is paid a fixed administration fee each month for the services they provide, there is no financial incentive for them to handle medical claims in a particular manner. In the interest of our policyholders and the wider membership it is important that we only pay claims expenses that are reasonable and fair for the treatment undertaken. Other insurers help to manage this by telling the claimant who they can see or where they can go for treatment. National Friendly policies are more flexible, allowing members to see whichever specialist they want to, but we do look to shortfall any excess cost, over and above what is reasonable where the specialist charges more than expected. The vast majority of invoices are settled in full, if a member experiences a shortfall, we do ask the medical team to manage this as clearly as they can with the customers upfront, before medical treatment commences so that customers can make an informed decision on how best to proceed.

We received a few questions about whether we would reduce our health insurance premiums in response to the COVID-19 pandemic, as the services offered by private hospitals is reduced due to NHS demands.

We acknowledge that the last six months have been very challenging for private hospitals and we have been working hard during that time to either source private medical treatment for our members when it has been required and to understand the impact of COVID-19 on our expected claim expenses for 2020 and into 2021.

When we set a premium for a private medical insurance policy we take a long term view on the expected medical claim expenses. We also take into consideration our administration expenses along with any taxes and other fees we may incur in offering the service. Our objective is for the premium to cover all of these costs. If they do not, our wider membership has to help cover the shortfall, but if there is a surplus then we return these to members in the form of increased benefits, enhanced services and it is taken into account as part of our premium review process.

HC2 customers benefit from a fixed premium guarantee on their deposit account premium so over the first ten years of the policy the premium did not change (other than for changes in Insurance Premium Tax), even when claim expenses exceeded the premium income that we were receiving. We've been able to review this in recent years with the pricing of a new top-up but it continues to be an area we monitor very closely.

Members who hold one of our newer Optimum policies have been able to utilise our private GP service during the pandemic. This is a 24/7 service allowing video consultations with GPs who are able to diagnose, refer and provide medication as necessary.

Medical claim expenses during the first quarter of 2020 were in line with our projections. For HC2 customers we have continued to move half of the deposit premium into the personal deposit account. We have also continued to settle dental & optical claims, NHS claims as well as some valid, private medical treatments that customers have requested. Although claims in quarter two, between April and June, were below expectations, the third quarter has not yet concluded but we anticipate claim expenses being close to expectations. As we write, the UK is seeing the start of a second wave although it remains unclear what impact this will have on private hospitals and the final quarter of claim expenses for 2020.

We recognise that some private medical treatments have been deferred, rather than cancelled, and so we expect that these customers will still get their treatments albeit they have been delayed during this period. Therefore, the long-term value of private medical insurance policies remains as we expect to see the medical claim expenses for deferred treatments over the coming 12 to 18 months.

National Friendly is a mutual organisation, owned by its members. Our focus has been on how we can help our existing members who need private medical treatment or have been financially impacted and are struggling to pay their premiums.

Treating customers fairly is of paramount importance. Each year we undertake a review of the claims experience and whether the claim expenses were in line with our projections. Should the claim expenses be lower than anticipated for 2020 and 2021 then this will feed into future premium reviews, so whilst we haven't been able to offer customers free cover, we will look to ensure that all customers continue to be treated fairly.

We received a couple of questions about hospital consultants, on how we determine fees for appointments with Consultants, why is no distinction made between fees for Senior Consultants and other Consultants and if we were aware of consultant surgeons negligently carrying out operations.

AXA-PPP publishes fees for all services provided by specialists. 79% of all specialists are in contract with AXA and have agreed rates for consulting, operating and other treatment services. We believe our rates are market competitive.

Where a specialist has unique skills in a particular area of medicine we will negotiate and agree individual terms. We are also able to discuss fees on an individual basis where particular operations or procedures are complex or significantly more time consuming.

We use our data to assess outlying performance and where we see any behaviour that may have the potential to cause patient harm, we will withdraw recognition and refer to the appropriate regulatory bodies. We will also use insight from other clinicians, hospitals and the regulators themselves.

A member asked if there is likely to be any takeover advances from other companies.

We would like to assure you that the Society continues to remain independent and has no plans to consider a takeover or transfer of engagements of any description, unless it is deemed to be in our policyholders' best interests to do so.

Finally, we were asked which member of the Board is specifically tasked with looking after the interests of customers. For example: messaging to customers, call centre performance, complaint management and other customer service issues.

The Chief Executive has overall responsibility for customers including, complaints handling, customer services and oversight of processes to ensure the fair treatment of customers. The Chief Executive is a member of the Board and reports to the Chair (acting on behalf of the Board).

The Society has also appointed a Senior Independent Director, who is available to our members should they have a reason for concern that contact through the normal channels of Chief Executive or Chair has failed to resolve.