



Deferred Care Plan

Target Market Information

This document is for distribution agents only and must not be communicated to customers.

Introduction and context

At National Friendly we have a process for designing, approving, and reviewing our products for retail customers. This document sets out the framework of our approval process, information about the product and the intended target market, and our suggested distribution strategies. These will help you match the product's attributes to the demands and needs of customers in our target market.

If you have any further questions about anything in this document, please speak to your National Friendly Account Manager.

National Friendly's product oversight and governance

The Financial Conduct Authority (FCA) has rules which require us to tell you about the governance processes we have in place to manage the design, approval, monitoring, distribution and review of our products. This is for both new products and where we make adaptations to existing products to meet our target market customers' demands and needs.

Regulation and control

National Friendly has governance processes in place to:

- identify customers' needs in respect of products we could offer
- manage the process through which products are developed or revised
- enable customers to make informed decisions about what they are buying
- recognise that customers are different and may have different needs
- continue to review our products after sale and throughout the products' life-cycles

Selecting our target market

Over the next pages we explain our target market, making clear who the product is and is not intended for and how customers can buy it. In designing this product, we have:

- identified markets we are and are not aiming to target; we want to check how successful we are in that
- chosen a distribution strategy we believe is appropriate for the target market
- assessed risks which might impact the target market
- taken responsibility to ensure the product is distributed to the target market in the manner we expect

Your responsibility for product governance

As distributor of the product you will be required to evidence how you:

- have gathered information about your customer which enables you to establish their demands and needs and your own product due diligence makes this Deferred Care Plan policy appropriate for their circumstances
- have taken steps to ensure the product is marketed only to customers in the target market we have set out
- can demonstrate the suitability of your sales, should you distribute the product to customers who fall outside the target market
- consider at all stages the demands, needs and reasonable expectations of your customers
- establish whether there are reasons why your customers may not get full value from the product due to policy terms we have put in place or due to alternative arrangements the customer may have or need
- will provide additional help with information, guidance or advice to anyone who may be considered a vulnerable customer
- have made arrangements to ensure that any outsourced parts of your distribution process are familiar with this Target Market Information

When recommending or arranging the Deferred Care Plan policy we expect you to explain to your customer:

- the risks and benefits of this policy
- the underwriting process they can expect on this policy
- how to meet any care costs which are immediate and/or greater than this policy can provide
- that no changes can be made during the policy term
- that the policy cannot be cancelled after the initial 30-day period
- that it is designed to pay benefits direct to the care provider and so benefit from being paid tax-free
- that we will, where appropriate, pay benefit direct to the policyholder
- that if the benefits are paid to an unregistered care provider or directly to the policyholder, they are likely to be taxable as a purchased life annuity
- other alternative ways of meeting your customer's demands and needs to provide protection against the financial impact of care needs

Your feedback is important

In order to monitor and review our products against the needs of our target customers, we need to know from you if there is any feature of this product which you believe does not meet their needs.

You should also tell us whether the customers for whom you arrange this product meet our target market or not.

You can give us this feedback via your National Friendly Account Manager.

We will expect you to explain the risks and benefits of this policy, and how it meets your customers' demands and needs, when arranging our product for your customers.

If you have any other feedback about this product which you feel can benefit your customers, we would love to receive it.

Product target market

| Client categorisation: | Description: | Additional comments (if applicable): |
|------------------------|---|--|
| Retail consumers | <p>Our Deferred Care Plan is for those with current or expected care needs. The policy requires a single initial payment from the policyholder which will be agreed as part of the application process. After a selected period of one, two, three, four or five years, the policy pays out a regular benefit to one or more registered care providers for the policyholder's lifetime.</p> <p>The product has a choice of two payment frequencies to match care home invoicing.</p> <p>An escalating benefit option gives customers the option to include protection to cover rising care costs.</p> <p>Capital Protection options are available to protect a proportion of the original payment for an initial period, to provide protection for early death.</p> | Applicants should have other financial provision for immediate care during the next 1-5 years. Where care is to be provided after this deferred period, it must be provided by a regulated care provider for the rest of the policyholder's life, either in a care home or at home. Applicants will be those who want peace of mind that their care costs will be covered after the deferred period they selected. |

| Customer types: | Appropriate: | Additional comments (if applicable): |
|-----------------|--------------|---|
| Personal | Yes. | For individuals. No couples or family policies. |
| Business | No. | |

Product target market (continued)

| Demographic factors: | Description: | Additional comments (if applicable): |
|-----------------------|--|---|
| Age | 60 or above at start of policy. | |
| Sex | All. | |
| Residency | Must be resident in the UK when joining. UK means England, Scotland, Wales and Northern Ireland, but not the Republic of Ireland, the Channel Islands or the Isle of Man. | Must be a UK bank account holder. Payment must be made from a UK bank account. |
| Wealth | Will have the financial means to make the initial payment and to fund any shortfall in care costs which are over and above those covered by the policy. They will also need sufficient financial means to pay care costs in the deferred period. Will also be able to afford to pay for financial advice. | Customers should be clear that they are responsible for care costs during the deferred period. Customers should be aware that the total benefits paid out may be less than the amount used to buy the policy. You should check whether the benefit payments could affect the customer's entitlement to any state benefits. |
| Financial commitments | Will want the certainty of a guaranteed, regular payment of benefit to cover those care fees to a registered care provider at home or in a care home, for life. | Will understand that no care benefits will be paid during the deferred period and that such costs will be their responsibility. |
| Health | Customers will be currently receiving, or expect to receive, care for a physical and/or mental disability. Care will be needed for the rest of their life. | Health will be such as to expect survival beyond the deferred period. |

Product target market (continued)

| Our Deferred Care Plan policy is not designed to provide: | Additional comments (if applicable): |
|--|--|
| Care benefit during the deferred period | The policy will only pay the care benefit after a selected deferred period of 1, 2, 3, 4 or 5 years. |
| A guaranteed death benefit | Capital Protection option can be included to provide some cover for death occurring in months 2-6 after the policy start date. |
| Funding for sundry care costs | The policy pays out an agreed sum of money, either level or at a selected rate of escalation. Care costs over and above this amount must be met by the policyholder. |
| Later options to make changes to the benefit | Once chosen and set up, the policy options cannot be changed or the policy closed after the 30 day cancellation period. |
| Funding for temporary care needs | |
| Critical illness cover | |
| Cover for any shortfall in care costs in excess of the regular benefit | |
| Cover when resident outside the UK | Care providers have to be registered with regulatory bodies within the UK. |

Product target market (continued)

| Product complexity: | Description: |
|---------------------|---|
| Low | <p>Financial advice is required.</p> <p>There is no investment element.</p> <p>The policy requires reasonable levels of numeracy and literacy to be fully understood.</p> |
| Tax | <p>All benefits paid to the care provider are currently paid free from tax (if CQC registered). A proportion of any payment made to the policyholder or to an unregistered care provider will be taxed as a Purchased Life Annuity. Payments made to beneficiaries after death may be subject to inheritance tax. Care providers have to be registered with the Care Quality Commission or regional equivalent.</p> |

| Distribution strategy: | |
|------------------------|--|
| Execution only | No. |
| Non-advised | No. |
| Advised | Yes - our Deferred Care Plan is available for sale through designated CF8-qualified financial advisers only. |
| Direct | No. |
| Conflicts of interest | None. |

Product features and suitability

| Product feature: | Benefit options: | What is covered? | Who might the option be suitable for? |
|--|--|---|---|
| Deferred Period | 1 to 5 years. | Care benefit will be payable once the selected deferred period has elapsed. | Those who can afford care costs during the deferred period and those who are expected to survive beyond that deferred period. |
| Escalating benefit | No escalation or escalation each year at selected whole percentage of between 3-10%. | Where escalation is chosen, payment to the care provider will rise on the policy anniversary or on a date chosen by the policyholder to coincide with the annual rise in care provider's costs. | Those who want protection against inflation in their care costs and to lessen the likelihood of needing to meet some of those costs in future from other means. |
| Premium protection for the first month of the policy | As standard. | 100% of the original payment, less care payments made, is returned to beneficiaries where death occurs in the first month of the policy. | All customers, in particular those looking to safeguard the whole of their initial payment should early death occur in the first month. |
| Capital Protection options | Zero Or 50%, months 2-3 25%, months 4-6 | A designated percentage of the original payment made by the policyholder, less care payments made, is returned to beneficiaries where death occurs in the selected period. | Those looking to safeguard some of their initial payment should early death occur. Those prepared to pay a higher initial payment to provide some protection for that payment than if they had chosen no capital protection. |

National Friendly is a trading name of National Deposit Friendly Society Limited. Registered office: 11-12 Queen Square, Bristol BS1 4NT. Registered in England and Wales no. 369F. National Deposit Friendly Society Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Our Financial Services Register number is 110008. You can check this at: <https://register.fca.org.uk>. National Deposit Friendly Society Limited is covered by the Financial Services Compensation Scheme and Financial Ombudsman Service.

