

Pure Protection

Product Fair Value Assessments

November 2024



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.

Pure Protection - Key Metrics

Products & Services Outcome	<ul style="list-style-type: none"> • Lapse rates • Complaints data • Cancellation/NTU rates • Target Market data • Ancillary Benefit Usage • Sales information from distributors • Persistency rates • Customer feedback • Social media reviews
Price & Value Outcome	<ul style="list-style-type: none"> • Lapse rates • Complaints data • Cancellation/NTU rates • Profitability data • Premium data • Ancillary Benefit Usage • Sales information from distributors • Social media reviews • Pricing data across the lifecycle of product • Distributor feedback • Market conditions data
Consumer Understanding Outcome	<ul style="list-style-type: none"> • Lapse rates • Complaints data • Cancellation/NTU rates • Ancillary Benefit Usage • Social media reviews • Customer response rates • Website footfall • Customer research • Customer surveys and questionnaires • Persistency rates on renewal
Consumer Support Outcome	<ul style="list-style-type: none"> • Customer satisfaction survey results • Online review star ratings • Telephone feedback results • Complaints data • Call statistics including lost calls/ abandoned calls/ not returned calls • Target Market data • Social media reviews • Claims data: declined claims/NTU claims • Call monitoring and listening output • Resolution timescales • Staff training completion rates

Pure Protection - 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"> • Over 50's Life Cover • Income Protection • Accident Only Income Protection • My PMI • Friendly Shield
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.

Over 50s Life Cover - Fair Value Assessment 2024



Target Market

Who is the target market?

The target market for our Over 50s Live Cover product is:


- ✓ Smokers and non-smokers aged between 60 and 75
- ✓ UK residents
- ✓ Individuals with pre-existing conditions who are unlikely to be accepted for fully underwritten life assurance
- ✓ Lower net worth individuals who are less financially sophisticated
- ✓ People who have a life expectancy of at least 2 years
- ✓ People who do NOT want to answer a lot of medical questions or go through a long application process
- ✓ Individuals who are able to afford monthly premiums between £20 and £100 for the rest of their life
- ✓ Individuals who want certainty in the amount of the sum assured, and do not want an investment element or surrender value from their policy
- ✓ People who want the option of an escalating premium and sum assured level that starts at a lower level and increases over time
- ✓ People who want the option to receive some of the payout in the event of a terminal illness diagnosis
- ✓ Individuals who want access to a virtual GP service for themselves and their immediate family

Over 50s Life Cover is NOT suitable for:

- ✗ Individuals who have less than 2 years to live
- ✗ Non-UK residents
- ✗ Individuals who would prefer to answer detailed medical questions on a fully underwritten basis, as they believe they would receive better value from the product
- ✗ People who will not be able to maintain the premium payments for the life of the policy
- ✗ Individuals who want an investment element from their policy
- ✗ Individuals who want the option to surrender their policy throughout the term, or want term assurance rather than a whole of life policy
- ✗ Individuals who require a funeral plan that will guarantee a payout in line with the overall cost of their funeral. This product is NOT a funeral plan.

<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 to 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. We have also introduced Vulnerable Customer Champions within our Customer Services and Claims teams who receive bespoke training to ensure they have the required expertise and key interpersonal skills to fulfil the role and provide individual support and assistance to customers who need it.</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"> ✓ A whole of life insurance solution designed to pay out a sum on the death of the life assured ✓ Applicants can benefit from a reduced qualifying period of 6 months depending on their answers to the optional underwriting questions ✓ In addition to a reduced qualifying period these applicants can also potentially benefit from a higher sum assured or a discounted premium ✓ Applicants have the option of choosing our Benefit Builder policy where the premium and sum assured commence at 50% of the level of the final value and increases by 10% each year for the first 10 years. ✓ Accidental death of the policyholder is covered from day one of the policy and pays an amount of 200% of the sum assured ✓ Access to Friendly GP 24/7 virtual GP services and Friendly GP+ from day one of the policy for the policyholder and their immediate family <p>An optional Terminal Illness Benefit of 50% of the sum assured can be paid if a terminal illness is diagnosed after holding the policy for at least 2 years</p>
<p>What ancillary benefits are offered with this product? How are these adding value to the product?</p>	<ul style="list-style-type: none"> • Access to Friendly GP – a service that offers availability to online and telephone GP consultations 24/7. The cost of this service is included in the premium payable. Monthly usage has increased by over 50% on average from H2 2023 to H1 2024. All respondent users have given the service a 4- or 5-star rating. • Access to Friendly GP+ - a service that offers access to counselling support, and assistance with legal, financial, debt or well-being issues. The cost of this service is included in the premium payable. • Grace Care Consulting - a service that offers members the availability of advice on care options as well as other helpful guidance. The benefit is subsidised by National Friendly so the policyholder pays 20% of the standard Grace Care Consulting fee to use the service. • Become a member of the Society - ability to vote at the AGM

<p>Does the product offer fair value to all customers within the target market?</p>	<p>Premiums 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. Brokers are also able to compare this product with comparable products on the market in real-time via online comparison sites.</p> <p>A policyholder is able to reduce their premium to any level above the minimum allowable premium at any time after the 2nd policy anniversary. This enables them to maintain a level of cover even if their financial circumstances change; though they cannot subsequently increase their premiums at a later date. A policyholder with our Benefit Builder policy can stop the escalation at any point in the first 10 years of the policy which will stop the premiums increasing any further; though will also stop the sum assured increasing to the overall target value.</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> <p>New Business KPIs and product metrics are evaluated at the Pricing, Underwriting and Product Working Group on a monthly basis to ascertain whether the product is being sold in line with the target market expectations. Any deviation is analysed and considered within the Group and escalated to the Executive Committee if product, or distribution, adjustments are required.</p> <p>This is the only whole of market National Friendly Over 50s product available to new customers.</p>

<p>Product</p> 	
<p>What product limits or exclusions are in place which the customer should be aware of?</p>	<p>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 our maximum premium is £100 per month. Also a non-accidental death within the qualifying period only returns the premiums paid to date.</p>
<p>Does the product allow for easy switching to another provider or product?</p>	<p>There are no fees or exit penalties for customers moving to another provider. Customers are able to obtain real-time comparisons between products via online comparison sites pre-sale.</p>



What value does the product offer the customer?

Our Guaranteed Life Assurance product is designed to meet the fair value requirements of our target market through the provision of a guaranteed sum to a valid beneficiary on the death of life assured. The premiums will depend on a number of factors; including:

- Age
- Answers to optional basic underwriting questions
- Life expectancy
- Smoker status
- Cover chosen
- Whether the Fixed or Benefit Builder is chosen

There is also the option to conduct a premium-led quote whereby the customer confirms how much they wish to pay for cover and, based on the parameters set out above, we will confirm the sum assured their premium amount will provide.

When issuing a new policy we inform the policyholder, at outset, the age at which they will have paid more in premiums than their beneficiary will receive from the sum assured. This is one factor which may help them form a view on whether the policy is fair value, based on their view of their life expectancy. However, it is also important for them to consider this alongside the benefit of having cover against dying before their life expectancy and also the other ancillary benefits outlined above provided by the policy.

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 Over 50s 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.

How is the impact on value of the distribution arrangements assessed and monitored?

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. 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. There are also broker matrices in place to actively monitor performance and compliance. We also monitor the commission rates of our distributors to ensure they remain within our allowed target range and within market expectations.

Product Reviews



What were the outcomes from the most recent product review?

The main highlights from the latest product review are:

- Some variations in cancellation rates and mortality from the levels we had forecast
- Some product features required enhancements to align with customer expectations
- Improved product flexibility, to enable customers to reduce premiums if they find it difficult to afford

What remedial actions were taken (or are being taken) following the outcomes from the most recent product review?

In light of the observations from the product review, the following remedial work was conducted to improve the product:

- Administrative and business practice improvements were made to reduce cancellation rates
- Enhanced product matrices were introduced to improve our understanding of consumer outcomes within our target market
- An enhanced accidental death benefit value was included in the product as standard
- The option for an up-to 50% payout on the diagnosis of a terminal illness of the life assured added flexibility to the product
- The option for customers to reduce premiums (for a lower sum assured) to aid affordability was introduced; rather than having to lapse the policy and lose all cover
- Our Benefit Builder product variant was introduced to provide the option of an escalating premium and sum assured for the first 10 years of the policy
- Friendly GP+ was introduced as a day one benefit for the policyholder and their immediate family

Key commentary from most recent product review and remedial work taken since.

The actions noted above since the last product review have helped to create a product that provides good outcomes. Cancellation rates have reduced during 2024 in lieu of the improved matrices introduced. In addition to the above we have looked to enhance the customer experience and journey; through a revamp of our Over 50s literature to make it more customer-friendly and easy to understand. We have also introduced a note on each customer's policy schedule to confirm when they will have paid more in premiums than their beneficiaries will receive as a sum assured. This will help customers understand the relative value of the policy compared to their life expectancy.

Conclusion



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. Our new product features and ancillary benefits provide additional value to the policyholder as well as the overall benefit attributed to the beneficiary.

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.

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 customers who require additional support due to any defined vulnerability.

Income Protection - Fair Value Assessment 2024



Target Market

Who is the target market?

The target market for our Income Protection product is:

- ✓ Individuals who work at least 16 hours per week and require protection against loss of earnings for a period of up to 5 years
- ✓ UK residents who are registered with a UK doctor
- ✓ Individuals aged between 18 and 59 at the outset of the policy
- ✓ People who earn at least £8,572 per year
- ✓ Individuals who have financial commitments (e.g. mortgage, rent, bills, debt) that will continue whilst off work

Income Protection is NOT suitable for:

- ✗ Individuals who work less than 16 hours per week or earn less than £8,572 per year, or who are unemployed
- ✗ Non-UK residents or individuals who expect to lose UK residency during the policy term
- ✗ Individuals who are not registered with a UK doctor or whose doctor does not have access to at least 2 years' worth of medical records
- ✗ Individuals who are seeking income protection for a period longer than 5 years
- ✗ Individuals who require over 70% of their salary to be protected
- ✗ Individuals in riskier occupations not covered by the policy
- ✗ Employees who need to receive an income immediately after not being able to work
- ✗ Employees who receive adequate sick pay whilst off work to cover financial commitments
- ✗ Individuals seeking critical illness or terminal illness cover
- ✗ Individuals who reside abroad for extended periods
- ✗ Individuals who receive means-tested benefits or hold other income replacement insurance policies

Does the product in its current form offer fair value to target customers, including those in vulnerable circumstances?

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:

- 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

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.

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.

What are the intended benefits of the product to customers within the target market?

The product is designed to provide the following benefits to the customer:

- ✓ To provide a regular benefit if customers have an injury or illness that means they are unable to work or perform houseperson duties, which can assist in covering essential living costs, regular expenses, and other on-going charges
- ✓ Flexibility to increase benefits on an annual basis via our escalating benefit option.
- ✓ Flexibility to provide adequate cover in-line with individual budgets, timeframes, deferral periods and lifestyles.
- ✓ Flexibility to provide peace of mind to customers via our level guaranteed premium option.
- ✓ Simplified underwriting process to help improve efficiency and engagement with the customer journey.
- ✓ Optional additional benefit to cover an extended list of hazardous pursuits for those who participate in them.
- ✓ Rehabilitation benefit of £1,500 per annum to assist them getting back to work.
- ✓ Optional additional benefit of fracture cover which can pay out up to £3,000 per policy year if you fracture certain bones. These payments are even available during the waiting period for the main benefit.
- ✓ Access to Friendly GP – a service that offers availability to online and telephone GP consultations 24/7. The cost of this service is included in the premium payable.
- ✓ Access to Friendly GP+ - a service that offers access to counselling support, and assistance with legal, financial, debt or well-being issues. The cost of this service is included in the premium payable.
- ✓ Optional accidental death benefit can be included.
- ✓ Benefit guarantee and waiver of premiums options as standard on the policy
- ✓ Flexible product where customers can choose the policy end date, deferral period and benefit payment period that most suits their needs and budget.

What ancillary benefits are offered with this product? How are these adding value to the product?

- Access to Friendly GP – a service that offers availability to online and telephone GP consultations 24/7. The cost of this service is included in the premium payable. Monthly usage has increased by over 50% on average from H2 2023 to H1 2024. All respondent users have given the service a 4- or 5-star rating.
- Access to Friendly GP+ - a service that offers access to counselling support, and assistance with legal, financial, debt or well-being issues. The cost of this service is included in the premium payable.
- Grace Care Consulting - a service that offers members the availability of advice on care options as well as other helpful guidance. The benefit is subsidised by National Friendly so the policyholder pays 20% of the standard Grace Care Consulting fee to use the service.
- Become a member of the Society - ability to vote at the AGM

Does the product offer fair value to all customers within the target market?

Premiums 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.

We regularly undertake price comparisons within the marketplace and we are confident our rates remain competitive. Brokers are also able to compare this product with comparable products on the market in real-time via online comparison sites. Our pricing framework across the various occupation classes has been reviewed in 2024 to better align our risk pricing across the different classes.

Does the product enable suitable use by the target market?

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](#).

This is the only National Friendly income protection product available to new customers, although we do also offer an Accident Only Income Protection product that may be more suitable in certain circumstances.

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 claims related to drug or alcohol misuse or intentional/self-inflicted injuries are excluded, any claims for reoccurrence of same injury are excluded for a period of 6 months following return to work, claim period restrictions if policyholder is residing outside the United Kingdom.

A reduced maximum benefit amount of £2,000 per month if the 5-year benefit period is selected.

Policyholders must be made aware of the impact of the deferred period they select.

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

There are no fees or exit penalties for customers moving to another provider. Customers are able to obtain real-time comparisons between products via online comparison sites pre-sale.

Pricing & Distribution



What value does the product offer the customer?

Our Income Protection product is designed to meet the fair value requirements of our target market through the provision of the expected cover when customers are unable to work due to illness or injury; delivered promptly and with an efficient and straightforward customer journey. The premium payable depends on a number of factors; including:

- Individual's profile; including age, medical history, occupation and salary
- Deferral Period selected
- Benefit payment period selected
- Level or escalating premiums
- Expected future lapse rates
- Expected claims experience
- Additional benefits selected, e.g. Additional Hazardous Pursuits benefit, Accidental Death benefit, Fracture cover

<p>What is the impact of distribution arrangements on the value of the product?</p>	<p>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 Income Protection product were considered suitable for the target market and were not deemed to damage intended product value.</p> <p>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>
<p>How is the impact on value of the distribution arrangements assessed and monitored?</p>	<p>Distribution costs are taken into account when deriving the premiums payable. 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</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.</p> <p>No charges other than commission will be payable to the distributor.</p>

Product Reviews

<p>What were the outcomes from the most recent product review?</p>	<p>The main highlights from the latest product review and wider market feedback are:</p> <ul style="list-style-type: none"> • Simplified underwriting is increasingly being used across the industry • Greater flexibility in payment of premiums needed to align with Consumer Duty expectations
<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, the following remedial work was conducted to improve the product:</p> <ul style="list-style-type: none"> • Our online application process has been streamlined to enhance the customer and intermediary experience. The information is still available for a fully understandable and informed journey but the average application time has more than halved • We have introduced 3 premium options for customers to choose from: age-costed reviewable, age-costed guaranteed, and level guaranteed. This provides the customer with greater flexibility to choose a premium level that works for their budget and financial circumstances. Where the premiums are reviewable this will occur every 5 years. The age-costed increases will occur each year. The level guaranteed premiums will not increase at all throughout the policy.

Key commentary from most recent product review and remedial work taken since.

The actions noted above since the last product review have helped to create a product that provides good outcomes. The premium options provide a useful affordability tool for customers and brokers, as it can provide reassurance to policyholders if they know their premium will never increase and they have the budget to cover that cost. It also provides the opportunity for individuals to take out a higher protection amount at a younger age knowing their premiums will increase from a lower starting premium as their salary increases over time. The enhancements made to the customer journey will help to further improve customer understanding through the removal of complex medical terminology and replacing with simpler broad terms that can be considered more openly.

Conclusion



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 additional optional benefits offer increased and varying cover for those who need it but without adding additional cost to those who don't. Monthly usage of Friendly GP has increased by over 50% on average from H2 2023 to H1 2024. All respondent users have given the service a 4- or 5-star rating.

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. This follows on from our pricing review in 2024 to align the risk pricing of our product across the occupation classes. Our introduction of the option for level guaranteed premiums provides additional peace of mind to customers who are on a tight budget and may not be able to afford regular premium increases. The minimum premium level has been reduced to £10 per month to aid affordability among some lower income consumers.

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 customers who require additional support due to any defined vulnerability. Our simplified underwriting customer journey provides an improved customer experience for prospective members and reduces the use

Accident Only Income Protection

- Fair Value Assessment 2024



Target Market

Who is the target market?

The target market for our Accident Only Income Protection product is:

- ✓ Individuals who work at least 16 hours per week and require protection against loss of earnings for a period of up to 5 years
- ✓ UK residents who are registered with a UK doctor
- ✓ Individuals aged between 18 and 59 at the outset of the policy
- ✓ People who earn at least £8,572 per year
- ✓ Individuals who have financial commitments (e.g. mortgage, rent, bills, debt) that will continue whilst off work
- ✓ Individuals who are unable to obtain fully underwritten income protection
- ✓ Individuals with a lower budget that cannot afford fully underwritten income protection but need some level of protection
- ✓ Individuals in occupations where there is a higher potential for accidents to occur

Accident Only Income Protection is NOT suitable for:

- ✗ Individuals who work less than 16 hours per week or earn less than £8,572 per year, or who are unemployed
- ✗ Non-UK residents or individuals who expect to lose UK residency during the policy term
- ✗ Individuals who are not registered with a UK doctor or whose doctor does not have access to at least 2 years' worth of medical records
- ✗ Individuals who are seeking full income protection or who require protection for longer than 5 years
- ✗ Individuals who require over 70% of their salary to be protected
- ✗ Individuals in riskier occupations not covered by the policy
- ✗ Employees who need to receive an income immediately after not being able to work
- ✗ Employees who receive adequate sick pay whilst off work to cover financial commitments
- ✗ Individuals seeking critical illness or terminal illness cover
- ✗ Individuals who reside abroad for extended periods
- ✗ Individuals who receive means-tested benefits or hold other income replacement insurance policies

<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"> ✓ Provide a regular benefit in the event a customer sustains an injury due to an accident, or defined non-impact injury ✓ Provide a protection solution designed to pay towards essential living costs or on-going expenses following an accident meaning the customer cannot work ✓ Benefit guarantee and waiver of premiums options as standard on the policy ✓ Flexibility so the customer can choose a policy end date that most closely reflects their expected retirement date ✓ Flexibility to opt for the most appropriate deferral period and premium option for their needs and budget ✓ Flexibility to opt for the most appropriate benefit payment period for their needs and budget ✓ Optional accidental death benefit can be included ✓ Access to Friendly GP 24/7 virtual GP services for them and their immediate family ✓ Optional fracture cover add-on can be included ✓ Optional additional hazardous pursuits benefit can be included
<p>What ancillary benefits are offered with this product? How are these adding value to the product?</p>	<ul style="list-style-type: none"> • Access to Friendly GP – a service that offers availability to online and telephone GP consultations 24/7. The cost of this service is included in the premium payable. Monthly usage has increased by over 50% on average from H2 2023 to H1 2024. All respondent users have given the service a 4- or 5-star rating. • Access to Friendly GP+ - a service that offers access to counselling support, and assistance with legal, financial, debt or well-being issues. The cost of this service is included in the premium payable. • Grace Care Consulting - a service that offers members the availability of advice on care options as well as other helpful guidance. The benefit is subsidised by National Friendly so the policyholder pays 20% of the standard Grace Care Consulting fee to use the service. • Become a member of the Society - ability to vote at the AGM
<p>Does the product offer fair value to all customers</p>	<p>Premiums payable will differ based on many factors including those outlined above. However, our pricing or product benefits are not designed to adversely</p>

within the target market?	impact on any customers, or specific customer categories, within our specified target market.
Does the product enable suitable use by the target market?	<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> <p>This is the only Accident Only Income Protection product available to new customers.</p>

Product

What product limits or exclusions are in place which the customer should be aware of?	<p>There are certain limitations and exclusions that policyholders must be made aware of prior to applying; including that accidents outside the definition, due to pre-existing conditions, self-infliction due to pre-existing conditions, self-infliction, drugs or alcohol misuse, acting against medical advice, and sustained during criminal activity will not be covered under the policy. Policyholders must remain as a United Kingdom resident for the full policy term in order to remain covered.</p>
Does the product allow for easy switching to another provider or product?	<p>There are no fees or exit penalties for customers moving to another provider. There are currently no other providers offering an Accident Only Income Protection product so cover would not be similar.</p> <p>We also offer our Friendly Shield product that offers 3 distinct levels of cover; though only a short-term 3 month accident only income protection benefit.</p>

Pricing & Distribution

What value does the product offer the customer?	<p>Our Accident Only Income Protection product is designed to meet the fair value requirements of our target market through the provision of the expected cover when policyholders are unable to work due to specific accidents that have occurred. Our policy documents clearly and succinctly outline the definition of an accident in these circumstances and what would, and would not, be covered. The premiums payable will depend on a number of factors; including:</p> <ul style="list-style-type: none"> • Deferral period chosen • Occupational class and salary • Benefits payable period chosen • Policy term chosen • Inclusion of additional benefits: accidental death benefit, additional hazardous pursuits benefit, and/or fracture cover <p>The policy terms are constantly under review in line with industry expectations and the changing world, meaning terms such as accidents covered or hazardous pursuits covered may evolve to reflect these changes.</p>
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<p>What is the impact of distribution arrangements on the value of the product?</p>	<p>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 Income Protection product were considered suitable for the target market and were not deemed to damage intended product value.</p> <p>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>
<p>How is the impact on value of the distribution arrangements assessed and monitored?</p>	<p>Distribution costs are taken into account when deriving the premiums payable. 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</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.</p> <p>No charges other than commission will be payable to the distributor.</p>

Product Reviews

<p>What were the outcomes from the most recent product review?</p>	<p>The main highlights from the latest product review and wider market feedback are:</p> <ul style="list-style-type: none"> • Greater flexibility in payment of premiums needed to align with Consumer Duty expectations
<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, the following remedial work was conducted to improve the product:</p> <ul style="list-style-type: none"> • We have introduced 3 premium options for customers to choose from: age-costed reviewable, age-costed guaranteed, and level guaranteed. This provides the customer with greater flexibility to choose a premium level that works for their budget and financial circumstances. Where the premiums are reviewable this will occur every 5 years. The age-costed increases will occur each year. The level guaranteed premiums will not increase at all throughout the policy.
<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. The premium options provide a useful affordability tool for customers and brokers, as it can provide reassurance to policyholders if they know their premium will never increase and they have the budget to cover that cost. It also provides the opportunity for individuals to take out a higher protection amount at a younger age knowing their premiums will increase from a lower starting premium as their salary increases over time.</p>

Conclusion



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 expansion of the covered definition to now include some non-impact injuries provides further value at no additional cost to the policyholder. The additional optional benefits offer increased and varying cover for those who need it but without adding additional cost to those who don't.

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. Our introduction of the option for level reviewable premiums provides additional peace of mind to customers who are on a tight budget and may want to limit any premium increase to 5-yearly. The minimum premium level has been reduced to £7.50 per month to aid affordability among some lower income consumers.

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 customers who require additional support due to any defined vulnerability. Our simplified underwriting customer journey provides an improved customer experience for prospective members and reduces the use of complex medical terminology in the application process.

My PMI - Fair Value Assessment 2024



Target Market	
Who is the target market?	<p>The target market for our My PMI product is:</p> <ul style="list-style-type: none">✓ Individuals, couple or families looking to gain cover against private medical costs to a level that is suitable for their needs and financial capacity – there are 4 levels of coverage to choose from✓ Individuals aged 18 – 85 at policy commencement✓ UK residents who have registered with a UK doctor with over 2 years of medical records✓ Individuals in sufficiently good health to pass the underwriting requirements✓ Individuals financially capable of paying premiums for the life of the policy✓ Individual seeking cover for treatment of acute conditions✓ Individuals looking to utilise additional benefits, such as online GP services <p>My PMI is NOT suitable for:</p> <ul style="list-style-type: none">✗ Non-UK residents or those not registered with a UK doctor✗ Individuals in poor health who cannot pass the underwriting requirements✗ Individuals seeking cover for congenital, pre-existing or incurable conditions✗ Individuals seeking cover outside of the UK; either travel insurance or worldwide private medical insurance✗ Individuals looking for a fully customisable modular plan
Does the product in its current form offer fair value to target customers, including those in vulnerable circumstances?	<p>Based on the assessments undertaken at product launch and the expertise we possess in the private medical insurance market we anticipate that the product will provide fair value to the target market, but will assess this using the following key metrics:</p> <ul style="list-style-type: none">• Complaints levels• Actual vs expected claims levels• Feedback from, and performance of, key distributors• Commentary from distributors, customers and the market on the product performance <p>We aim to maintain high 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>
What are the intended benefits of the product to customers within the target market?	<p>The product is designed to provide the following benefits to the customer:</p> <ul style="list-style-type: none">✓ Signing up to a five-year contract means that special terms cannot be added to the policy within each five-year period✓ The different levels of cover available mean that the product can be tailored to the needs and budget of the individual✓ Additional individuals can be added to, or removed from, the policy at any time; subject to updated premiums✓ Policy excesses can be increased at the annual review date

	<ul style="list-style-type: none"> ✓ Access to Friendly GP – a service that offers availability to online and telephone GP consultations 24/7. The cost of this service is included in the premium payable. ✓ Access to Friendly GP+ - a service that offers access to counselling support, and assistance with legal, financial, debt or well-being issues. The cost of this service is included in the premium payable. ✓ Excellent choice of consultants and hospitals available to policyholders, with the option to choose our guided option for a lower premium
<p>What ancillary benefits are offered with this product? How are these adding value to the product?</p>	<ul style="list-style-type: none"> • Grace Care Consulting - a service that offers members the availability of advice on care options as well as other helpful guidance. The benefit is subsidised by National Friendly so the policyholder pays 20% of the standard Grace Care Consulting fee to use the service. • Become a member of the Society - ability to vote at the AGM
<p>Does the product offer fair value to all customers within the target market?</p>	<p>Premiums 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. We adopt a pricing approach based on postcode, using expected claims costs by area, as we believe this is a fairer approach.</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> <p>This is the only National Friendly Private Medical Insurance 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 for each Level of cover that policyholders must be made aware of prior to applying:

Level 1: No cover for in- and day-patient treatments. Limited out-patient cover of either £2,000 or £5,000 per annum.

Level 2: No cover for consultations and therapies other than those detailed in the [Policy Summary](#). Limited follow-up consultation and therapy cover of £500. Limited in-patient treatment cover of £1 million per annum. No cover for biological therapies.

Level 3: No cover for biological and targeted therapies other than those detailed in the [Policy Summary](#). Limited out-patient cover of either £2,000 or £5,000 per annum. Limited in-patient treatment cover of £1 million per annum.

Level 4: No cover for biological and targeted therapies other than those detailed in the [Policy Summary](#).

There are exclusions of certain treatment types; including chronic conditions, addictions, and complementary medicine.

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

There are no fees or exit penalties for customers moving to another provider. Customers are able to obtain real-time comparisons between products via online comparison sites pre-sale.

Pricing & Distribution



What value does the product offer the customer?

My PMI is designed to meet the fair value requirements of our target market through the provision of a product with 4 succinct levels, each tailored to a distinct category of our target market:

- Level 1: affordable healthcare as an out-patient
- Level 2: in-patient treatment, with limited cover for out-patient scans and tests
- Level 3: traditional combined in-patient and out-patient policy
- Level 4: comprehensive policy

The premiums payable with depend on a number of factors; including:

Cover chosen

- Hospital option chosen
- Excess level chosen
- Number of policyholders to be covered
- Age of policyholders
- Location of policyholders

<p>What is the impact of distribution arrangements on the value of the product?</p>	<p>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 My PMI were considered suitable for the target market and were not deemed to damage intended product value.</p> <p>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>
<p>How is the impact on value of the distribution arrangements assessed and monitored?</p>	<p>Distribution costs are taken into account when deriving the premiums payable. 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.</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 will be payable to the distributor.</p>

Product Reviews

<p>Is it likely the customer will renew at the end of the contract period?</p>	<p>This is a five-year policy and renewal terms will be offered at the end of each policy term. On similar PMI policies we auto-renew around 90% of cases, with the remainder being offered loadings. Whilst claims will determine this, we hope to achieve similar outcomes. Our retention rate on PMI policies is good.</p>
<p>What were the outcomes from the most recent product review?</p>	<p>The main highlights from the latest product review and wider market feedback are:</p> <ul style="list-style-type: none"> To include our enhanced virtual GP service, Friendly GP+ to align with the benefits afforded to other product policyholders
<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, the following remedial work is being conducted to improve the product:</p> <ul style="list-style-type: none"> We have included Friendly GP+ for all new My PMI policyholders going forward
<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. The increased benefits applicable to the product at no additional premium help to provide an improved policyholder experience with the availability of wider benefits outside the main financial benefit through private medical provision.</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 inclusion of Friendly GP+ as standard helps to further enhance our product offering outside the main financial benefit of private medical provision.

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.

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 customers who require additional support due to any defined vulnerability.

Friendly Shield - Fair Value Assessment 2024



Target Market

Who is the target market?

The target market for our Friendly Shield product is:

- ✓ Individuals, couple or families looking for a simple, affordable protection product that covers a range of eventualities
- ✓ UK residents
- ✓ Individuals aged 18 to 60 at the outset of the policy – though children outside of this age range can be added to a policy
- ✓ Employees (or self-employed) working at least 16 hours per week
- ✓ Individuals looking for short-term accident only income protection cover
- ✓ Individuals looking for lump sum protection for fractures, hospital visits or death
- ✓ Individuals with financial commitments, e.g. mortgage, rent, bills, debt, that would remain payable whilst unable to work due to an accident

Friendly Shield is NOT suitable for:

- ✗ Individuals who need full income protection or longer term protection
- ✗ Employees (or self-employed) working less than 16 hours per week, or people who are unemployed
- ✗ Non-UK residents
- ✗ Employees who work in occupations not covered by the policy, e.g. Armed Forces, Police.
- ✗ Individuals requiring protection for a specific proportion of their earnings – payments are fixed monthly amounts
- ✗ Individuals requiring lifetime cover
- ✗ Individuals claiming means-tested benefits that would be unavailable if policy claimed

Does the product in its current form offer fair value to target customers, including those in vulnerable circumstances?

Based on the assessments undertaken at product launch and the expertise we possess in the market we anticipate that the product will provide fair value to the target market, but will assess this using the following key metrics:

- Complaints levels
- Actual vs expected claims levels
- Feedback from, and performance of, key distributors
- Commentary from distributors, customers and the market on the product performance

We aim to maintain high 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.

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>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 policyholder:</p> <ul style="list-style-type: none"> ✓ To provide a short-term benefit if they have an injury that means they are unable to work or perform houseperson duties, which can assist in covering essential living costs, regular expenses, and other ongoing charges for a short period of time. It also offers other lump sum benefits that can assist in covering living costs. ✓ Flexibility to provide adequate cover in line with individual budgets and lifestyles. ✓ Rehabilitation benefit of up to £1,000 per period off work. ✓ Use of Friendly GP 24/7 GP Service available to the policyholder and their spouse/children at no additional cost. ✓ Signing up to a five-year contract means that special terms cannot be added to the policy within each five-year period ✓ Premiums are reviewable every year, on a communal basis. ✓ The different levels of cover available mean that the product can be tailored to the needs and budget of the individual. ✓ Optional cover for spouse and children can be added to the policy; subject to updated premiums. ✓ Hospital cash: A cash benefit per night of hospitalisation due to an accident (subject to a maximum number of nights). ✓ Fracture cover: A lump sum benefit for fractures of bones. ✓ Income benefit: Short-term income protection with limited benefits (14 days deferred period and maximum 3 months payment, triggered only by accidents, not sickness). ✓ Accidental death benefit: A lump sum payable upon accidental death. ✓ Natural death benefit: a small lump sum payable on any cause of death, following a qualifying period of 2 years.
<p>What ancillary benefits are offered with this product? How are these adding value to the product?</p>	<ul style="list-style-type: none"> • Access to Friendly GP – a service that offers availability to online and telephone GP consultations 24/7. The cost of this service is included in the premium payable. Monthly usage has increased by over 50% on average from H2 2023 to H1 2024. All respondent users have given the service a 4- or 5-star rating. • Grace Care Consulting - a service that offers members the availability of advice on care options as well as other helpful guidance. The benefit is subsidised by National Friendly so the policyholder pays 20% of the standard Grace Care Consulting fee to use the service. • Become a member of the Society - ability to vote at the AGM
<p>Does the product offer fair value to all customers within the target market?</p>	<p>The product does offer fair value to customers with the target market through its simple design, offering customers a choice of 3 levels of cover for a fixed premium (with additional premiums added for a spouse and/or children). The benefits offered are aligned with the needs and objectives of our target market as confirmed within our market research.</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.</p> <p>Details of the product's target market specifications can be found in its Target Market Information document.</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:

Bronze: Hospital Cash for a maximum of 60 days per policy year. Fracture cover up to £1,000 per year. Income benefit: £750 per month for up to 3 months. Accidental death benefit: £45,000.

Silver: Hospital Cash for a maximum of 180 days per policy year. Fracture cover up to £2,000 per year. Income benefit: £1,500 per month for up to 3 months. Accidental death benefit: £85,000.

Gold: Hospital Cash for a maximum of 360 days per policy year. Fracture cover up to £3,000 per year. Income benefit £2,250 per month for up to 3 months. Accidental death benefit: £85,000.

Hospital cash is only payable where the hospital admission is unplanned and as a direct result of an accident that includes an external impact.

With the optional cover for spouse and children there are certain limitations and exclusions policyholder should be aware of before applying:

Child: Hospital Cash is half the amount as for the policyholder and for a maximum of 60 days across all levels. Fracture cover up to £500 per year, accidental death benefit of £2,500.

Spouse: Hospital Cash is half the amount as for the policyholder but for the same number of days per policy year. Fracture cover up to £1,500. No cover for income benefit. Accidental death benefit up to £42,500. The spouse's cover can only be at the same level (i.e. Bronze, Silver or Gold) as the main policyholder.

Other limitations include: accidents outside the definition, claims due to pre-existing conditions, self-infliction due to pre-existing conditions, self-infliction, drugs or alcohol misuse, acting against medical advice, claims made outside the United Kingdom, claims made due to participations in equestrian activities or sports and hobbies outside the range we agree to cover, and claims incidents sustained during criminal activity will not be covered under the policy.

Policyholders must remain as a United Kingdom resident for the full policy term, and work at least 16 hours per week either as an employee or self-employed, in order to remain covered. There is no availability for voluntary increase to cover after the policy has been purchased.

Certain occupations, including Armed Forces personnel and professional sportspersons, are excluded.

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

There are no fees or exit penalties for customers moving to another provider. May switch to lower cover level (one of the other defined premium levels) at any time.



Pricing & Distribution

What value does the product offer the customer?

The Friendly Shield product is designed to meet the fair value requirements of our target market through the provision of product benefits with three specified levels of cover at flat premium rates: Bronze: £10, Silver: £17, Gold: £24.

The option to add cover for a spouse and children in a monthly premium plan provides substantial value to policyholders. The monthly premiums for adding a spouse (£6, £7 or £8 for the respective levels of cover) and children (£2 per child flat rate) are likely to be more affordable than purchasing separate insurance policies for each family member. This product offers essential protection against unexpected situations that could lead to significant financial strain.

The premium payable is one of the three levels quoted above and depends on a number of factors; including:

- Cover level chosen
- Spouse cover and child(ren) cover at an extra premium
- Cost of providing the additional benefits e.g. rehabilitation cover, accidental and natural death benefits.

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 My PMI 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.

How is the impact on value of the distribution arrangements assessed and monitored?

Distribution costs are taken into account when deriving the premiums payable. 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.

All distributors are monitored on an ongoing 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 will be payable to the distributor.



Product Reviews

What were the outcomes from the most recent product review?

This product was launched in 2024 so has not gone through an annual review yet; however the post-launch review and initial market feedback noted:

- The child benefit cover was misaligned with the market
- The maximum entry age was below the average entry age for protection products

What remedial actions were taken (or are being taken) following the outcomes from the most recent product review?

In light of the observations from the post-launch review, the following remedial work was conducted to improve the product:

- The child benefit has been enhanced to include a fracture benefit and accidental death benefit. The premium rate has also been reduced to further enhance the offering.
- The maximum entry age has been increased to 60 to correlate with the market and also more closely mirror normal retirement age when protection products are no longer required.

Key commentary from most recent product review and remedial work taken since.

The actions noted above since the post-launch review have helped to create a product that provides good outcomes. The increased maximum age means that all policyholders are now receiving an extra 10 years of cover with the end of the term now more closely aligned with their retirement age so they have peace of mind up until retirement. The improved child benefit offering ensures that the whole family now has adequate cover.

Conclusion



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.

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. The price points of the product ensure that everyone within our target market can afford a level of cover for their needs. Our product enhancements ensure the value of the product has been further exceeded.

Consumer Understanding Outcome: we produced all of our customer literature and communications in line with our other product literature to ensure they are easy to understand, jargon-free and presented in a user-friendly manner. The structure of the product with 3 distinct levels each having clearly defined benefits ensure the product is simple to understand and use.

Consumer Support Outcome: we have introduced Vulnerable Customers champions to assist any customers who require additional support due to any defined vulnerability. All of our frontline staff received product training prior to the product being launched to ensure they have the necessary knowledge to assist policyholders or prospective customers.