



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.

Investments - Key Metrics

Products & Services Outcome	<ul style="list-style-type: none">• Complaints data• Cancellation/NTU rates• Target Market data• Bonus rates• Early Withdrawals• Customer feedback
Price & Value Outcome	<ul style="list-style-type: none">• Complaints data• Cancellation/NTU rates• Profitability data• Premium data• Bonus rates• Early Withdrawals• Pricing data across the lifecycle of product• Market conditions data
Consumer Understanding Outcome	<ul style="list-style-type: none">• Complaints data• Cancellation/NTU rates• Taxable disinvestment data• 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• Target Market data• Social media reviews• Call monitoring and listening output• Resolution timescales• Staff training completion rates

Investments - 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.
<p>We have carried out an assessment on the product in line with FCA PROD4 requirements, including confirmation that we have:</p> <p>a) Identified the target market</p>		<p>See Target Market Information documents:</p> <ul style="list-style-type: none"> • Tax-Exempt Savings Plan
<p>b) Regularly sought feedback from our distribution chain and customers.</p>		<p>Through on-going communications between our Business Development Managers and the distribution chain.</p> <p>Via our online and telephone-based customer feedback tools and the online review portals.</p>
<p>c) Regularly monitored and reviewed the product</p>		<p>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.</p>
<p>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</p>		<p>This requirement is outlined in our product governance policy and framework which is adhered to on all occasions.</p>
<p>e) Considered the charging and fee structure for the product</p>		<p>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.</p>

Tax-Exempt Savings Plan - Fair Value Assessment 2024



Target Market

Who is the target market?

The target market for our Tax-Exempt Savings Plan product is:

- ✓ Individuals looking to invest between £10 and £25 per month (or equivalent annual sum) for a minimum of 10 years
- ✓ Individuals with the financial capacity to continue to make these monthly payments for the term of the policy: between 10 and 25 years
- ✓ Individuals looking to maximise tax efficiency as the proceeds from these policies are tax-free at maturity
- ✓ Individuals seeking exposure to investments, without the need to manage their own investment portfolio
- ✓ Individuals with sufficient of their £3,600 annual qualifying policy allowance remaining
- ✓ Parents or grandparents looking to invest a lump sum for their children or grandchildren
- ✓ Individuals aged 16 or above; though a guardian can open a policy for a child under 16.
- ✓ UK resident with a UK bank account

Tax-Exempt Savings Plan is NOT suitable for:

- ✗ Individuals looking to invest a lump sum
- ✗ Individuals without the capacity to make regular payments for the term of the policy
- ✗ Individuals not looking for investment exposure
- ✗ Non-UK residents
- ✗ Individuals looking for an investment with life cover
- ✗ Individuals looking for a regular income from their investment

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

The policy literature and personal illustration gives three possible scenarios for an investment, with the middle figure based on past and expected performance. The guaranteed maturity value means that, at worst, a policy paid and held to maturity will make a profit of £10. At the mid- and upper projection rates, the return will be higher.

The key risk is in not keeping and paying for the policy for its full term.

We maintain vulnerable customer training for all staff and update the training required in line with changes in regulatory expectations and the market as a whole. This ensures that the teams are aware how to identify a potentially vulnerable customer and to amend their standard customer service training to deal with the potentially vulnerable policyholder. Consumer Duty MI includes vulnerable customer trends and analysis which is analysed and as appropriate acted upon.

The needs and requirements of the target market, including those with vulnerabilities, were at the forefront when creating the product and the benefits it offers.

<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> <p>It is a policy on which the pay-out on maturity is tax-free.</p> <ul style="list-style-type: none"> ✓ An investment solution invested in our with-profits fund. The performance of the fund will determine whether bonuses are then applied to the policy as annual bonuses and/or as a final bonus at maturity ✓ There is a guaranteed maturity value which ensures that the policyholder will receive at least the value of their premiums paid plus £10 at maturity ✓ The payout on maturity is tax-free ✓ It is ideal for saving a small amount each month (or year) to put towards the future cost of certain events or for providing a lump sum gift, for example for children or grandchildren.
<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>The product offers a flexible investment and savings product based on the needs and budget of the individual, but within the regulatory constraints of being a Tax-Exempt Savings Plan. The products premium levels of £10, £15 or £25 per month (or their annual equivalent) to cater for a range of budgets. The product also offers a term of between 10 and 25 years to cater for a range of variables; including the age at entry of the policyholder, the goals and objectives of the investment, and the financial capacity of the payer.</p> <p>We regularly undertake comparisons within the market of our with-profits fund performance and interrogate it against suitable investment benchmarks. Brokers are also able to compare this product with comparable products on the market.</p>
<p>Does the product enable suitable use by the target market?</p>	<p>The target market for the saving plan is individuals aged over 16 (and must be UK residents) who are looking for a long-term saving plan with a relatively low monthly commitment. It is also for individuals who are seeking reassurance of a guaranteed minimum pay out. The savings plan is invested in a with-profits fund which traditionally carries low-medium risk.</p> <p>The product can be purchased for children as an adult can pay into the plan on their behalf.</p>

Product

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

The investment limits are explained in the product literature: the maximum monthly investment is £25, and annually £270.

The product should be held for a minimum of 10 years, and the customer will need to commit to that as a minimum term for the investment to gain the full benefit.

Once a policy has been purchased the policyholder is not able to amend the term of the policy, the premium amount, or the premium frequency (i.e. monthly or annually payable premiums).

As this product is a qualifying life policy, the customer cannot pay more than a total of £3,600 in a 12-month period into either this product or any other qualifying life policies.

This type of product does not include any life cover – payments are returned without interest.

There is no surrender value in the first year of the policy.

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

This is a product that is only available through Friendly Societies.

There is a 30-day cancellation period, after which the product cannot be cancelled without potential penalty.

The product can be surrendered before maturity, but the guaranteed maturity value will be lost and the policy may be worth less than the premiums paid to date at the time of surrender. There is no surrender value in the first year of the policy so the policyholder would receive zero return.

Policies cannot be switched. Customers would have to cancel/surrender their policy and apply for a new one.

Pricing & Distribution

What value does the product offer the customer?

Our Tax-Exempt Savings Plan is designed to meet the fair value requirements of our target market by allowing monthly or annual contributions to a maximum of £25 a month or an annual payment of £270 to be made into a tax exempt saving arrangement. The product also allows for monthly payments of £10 (with the annual equivalent of £108) and £15 (with the annual equivalent of £162).

The product has a benefit which is free from income tax and capital gains tax if the policyholder holds it to maturity. A small amount of tax will be payable on dividends from UK shares, as detailed in the policy literature.

The customer has to choose how long they wish to invest before maturity and that must be a minimum of 10 years, and no more than 25 years. Children's policies must additionally run until at least age 16.

The product is invested in the National Deposit Friendly Society With-Profits fund: any bonuses declared are applied to the guaranteed maturity value of the policy. The bonuses are reviewed at least annually by the With-Profits Actuary and approved by the Board. The bonus is based on the policy's fair share of the with-profits fund. It should be noted that returns allocated to a policy are smoothed over time to reduce volatility.

<p>What is the impact of distribution arrangements on the value of the product?</p>	<p>The commission payable by National Deposit Friendly Society Limited is a fixed rate per premium level. This commission is payable by the Society and not directly from the with-profits fund; though the overall distribution costs may be considered when applying bonus rates.</p>
<p>How is the impact on value of the distribution arrangements assessed and monitored?</p>	<p>The product is sold direct by our wholly owned subsidiary, National Friendly Financial Solutions Limited via their Compare and Buy Team. The distribution costs associated with these sales are monitored on an ongoing basis to ensure the product remains fair value.</p>

Product Reviews

<p>What were the outcomes from the most recent product review?</p>	<p>The main highlights from the latest product review are:</p> <ul style="list-style-type: none"> • Our premium level offering was inflexible and less comprehensive than the market • The guaranteed maturity value was below the level of premiums paid, which was anomalous with other product providers
<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 amended our product to offer 3 premium levels: £10, £15 and £25 per month, rather than just £25 per month that was previously available • Our guaranteed maturity value has been increased across all 3 premium levels to ensure that a policyholder will at least get their money back at the end of the policy term. The guaranteed maturity value will as a minimum return the total premiums paid in plus £10
<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 options of premiums assisted in the affordability of the product for individuals within the target market. The increased guaranteed maturity value helped to lower the overall risk of the product as there was no longer the possibility of making a loss across the full policy term.</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 increased options of 3 premium levels helps improve the affordability of the product for individuals who could previously not commit to £25 per month for a minimum of 10 years.

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. Future pay-outs on maturity will be assessed against expectations set when the policy was taken out and will reflect a fair share of the performance of the fund during the period policies were held. The increased guaranteed maturity value that ensures the policyholder will not lose money over the full policy term so the product is overall lower risk than previously.

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 included a review and update of our with-profits literature: With-Profits Guide, With-Profits Annual Report, Principles & Practices of Financial Management. All of these documents are available on our website.

Consumer Support Outcome: we have introduced Vulnerable Customers champions to assist any customers who require additional support due to any defined vulnerability.

With-Profits Bond - Fair Value Assessment 2024



Target Market	
<p>Who is the target market?</p>	<p>The target market for our With-Profits Bond product is individuals or couples:</p> <ul style="list-style-type: none"> ✓ Looking to invest a lump sum for the medium- to long-term; at least 5 years is the expected timeframe (though there is no set end date to the policy) ✓ Who can afford to invest a lump sum of at least £2,500 for the expected investment timeframe ✓ Seeking exposure to stock market investments without the requirement to invest directly, via National Friendly's With-Profits Fund ✓ Who are UK resident for tax purposes <p>With-Profits Bond is NOT suitable for individuals or couples:</p> <ul style="list-style-type: none"> ✗ Who are not UK resident for tax purposes ✗ Looking to invest regular premiums as opposed to a lump sum ✗ Unable to hold the investment for the medium- to long-term or who require regular withdrawals above the 5% threshold ✗ Whose risk appetite does not include exposure to investments such as equities, commercial property or fixed interest securities ✗ Who are seeking more high risk/high return investments
<p>Does the product in its current form offer fair value to target customers, including those in vulnerable circumstances?</p>	<p>The policy literature and personal illustration gives three possible scenarios for an investment, with the middle figure based on past and expected performance. At the mid- and upper projection rates, the return will be higher.</p> <p>We maintain vulnerable customer training for all staff and update the training required in line with changes in regulatory expectations and the market as a whole. This ensures that the teams are aware how to identify a potentially vulnerable customer and to amend their standard customer service training to deal with the potentially vulnerable policyholder. Consumer Duty MI includes vulnerable customer trends and analysis which is analysed and as appropriate acted upon.</p> <p>The needs and requirements of the target market, including those with vulnerabilities, were at the forefront when creating the product and the benefits it offers.</p>
<p>What are the intended benefits of the product to customers within the target market?</p>	<p>The product is designed with the following benefits for the end policyholder:</p> <ul style="list-style-type: none"> • Potential for capital growth through annual and final bonuses, as well as an enhancement of 5% to the sum assured from outset • Ability to withdraw up to 5% each year without immediate tax or other penalties subject to minimum withdrawal amounts and minimum remaining balance requirements. These withdrawals can be 'rolled up'. • Policies can be on a single or joint life basis • 30-day cancellation rights • Life cover of at least 101% of initial investment
<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>The with-profits bond offers policyholders the opportunity to invest a lump sum into the Society with-profits fund for a potential return over the medium- to long-term. There is an initial 5% enhancement, and the possibility for annual bonuses to be accrued as well as a possible final bonus at surrender. The inclusion of life cover guaranteeing at least 101% of the initial investment provides an element of security to the investment.</p> <p>We regularly undertake comparisons within the market of our with-profits fund performance and interrogate it against suitable investment benchmarks. Brokers are also able to compare this product with comparable products on the market.</p>
<p>Does the product enable suitable use by the target market?</p>	<p>The target market is individuals and couples over 16 who are looking to invest a lump sum, and receive some investment exposure without the need to maintain and manage their own portfolio. The bond offers a wide range of investment levels dependent on the budget of the investors, whilst maintaining a reasonable maximum level so as to reduce the risk of individuals having high concentration risk due to a lack of diversification in their investment portfolio.</p>

Product

<p>What product limits or exclusions are in place which the customer should be aware of?</p>	<p>There is a minimum lump sum investment of £2,500. The minimum top-up investment amount is also £2,500.</p> <p>There is a minimum partial withdrawal of £500. Withdrawals cannot be actioned if it would leave less than £2,500 invested.</p>
<p>Does the product allow for easy switching to another provider or product?</p>	<p>There is a 30-day cancellation period, after which the product cannot be cancelled without potential penalty.</p> <p>The product can be surrendered before maturity, but if encashed in the first 5 years then surrender charges will apply and you could get back less than you paid in.</p> <p>The investment cannot be switched or transferred to a with-profits bond with another provider without surrendering and purchasing a new bond with the new provider.</p>

Pricing & Distribution

<p>What value does the product offer the customer?</p>	<p>A 5% enhancement is added to the policy value upon investment. Any bonuses added to the policy will be added to this enhanced policy value throughout the policy term. Potentially a final bonus can be added to the policy at surrender. The enhancement is added to all policies at outset, but the bonuses are payable at the discretion of the Society based on the performance of the with-profits fund.</p>
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<p>What is the impact of distribution arrangements on the value of the product?</p>	<p>The commission payable by National Deposit Friendly Society Limited is a fixed rate irrespective of investment level. This commission is payable by the Society and not directly from the with-profits fund; though the overall distribution costs may be considered when applying bonus rates.</p>
<p>How is the impact on value of the distribution arrangements assessed and monitored?</p>	<p>The product is sold direct by our wholly owned subsidiary, National Friendly Financial Solutions Limited via their Compare and Buy Team. The distribution costs associated with these sales are monitored on an ongoing basis to ensure the product remains fair value.</p>

Product Reviews

<p>What were the outcomes from the most recent product review?</p>	<p>The main highlights from the latest product review are:</p> <ul style="list-style-type: none"> • The maximum investment amount was considered outside the risk appetite of the Society
<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"> • The maximum investment amount was reduced from £250,000 to £50,000 per policyholder
<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 reduction in maximum investment level has helped to reduce the overall investment risk applicable to policyholders, as well as ensuring that such high levels of investments are held in a more diversified portfolio.</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 initial 5% enhancement, along with the discretionary annual and final bonuses, help to provide a product whose potential for profitability is easier to understand than other complex investment products. The existence of life cover of a minimum of 101% of the initial investment (less any withdrawals) provides protection to the investment for the policyholder's beneficiaries.

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. Future pay-outs on maturity will be assessed against expectations set when the policy was taken out and will reflect a fair share of the performance of the fund during the period policies were held. The reduced maximum investment level helps to mitigate the risk of investing in a more complex product.

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 included a review and update of our with-profits literature: With-Profits Guide, With-Profits Annual Report, Principles & Practices of Financial Management. All of these documents are available on our website.

Consumer Support Outcome: we have introduced Vulnerable Customers champions to assist any customers who require additional support due to any defined vulnerability.