AGM 2022 – MEMBERS QUESTIONS

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1. QUESTIONS SUBMITTED BY MEMBERS PRIOR TO AGM

I have just read your performance leaflet in which the Chief Executive has stated that the membership had reduced considerably. You appear to have 12 people running the company and I wondered that in order to reduce costs you have considered reducing this number since the turnover appears to be about £23m

There is a board in place which currently consists of 4 independent non-executive directors and two executive directors – the CEO and Chief Actuary, to be augmented if approved by the regulators and members by the addition of the Finance Director.

As CEO I have a management board of 7 individuals including myself. Each individual is a specialist in their respective discipline and all members hold specific mandatory regulatory accountabilities (introduced in 2016) for their roles. Were the Society not to be pursuing a growth strategy the number of roles could be reduced, but controlled growth requires access to very specialist skills which best sit at the executive table.

Just a quick note to say that I think its wrong that you ask as to vote on Directors remuneration but send out no information - is this because you fear that they can't be justified

The Member was emailed with Annual Accounts attached and advised that we would send a hard copy to them if required. Also advised the member that we are looking to revamp the Performance Summary next year so that it contains more useful information.

Since the Healthcare Deposit Account (HC2) was launched "own share"

percentages for certain cohorts have increased dramatically. For example, a single individual aged 64 and under been hit with a massive 350% increase in own share percentage, whilst:

- couples aged under 50 have seen a 145% increase

- single persons aged 65 and over, and couples aged 50 - 64, and couples under 50 with children have seen a 96% increase

- couples aged between 50 and 64 with children have seen a 63% increase

- couples aged 65 and over, and single persons aged 65 and over with children, have seen a 23% increase

- couples aged 65 and over with children have seen a 9% increase in own share.

Why have single people aged under 64 been hit so hard relative to other groups? How is the disproportionate increase to this cohort justified statistically and how does it fit in with FCA

treating customers fairly doctrine? Why are you willing to discriminate against customers with a younger age profile, by increasing their own share disproportionately, when the incidence of claims must be higher for older people and for those with up to 5 children?

Since the Healthcare 2 product was first released, it became apparent that claims were significantly higher than we had initially expected. As a result of this we needed to take action to limit the cost of this to National Friendly (and, because we are a mutual, the impact on other members of the Society who effectively have to make up the shortfall), whilst remaining compliant with the Terms and Conditions.

The key contractual limitations (see below for the exact wording) meant that we couldn't increase the standard (non top-up) premiums and secondly that the Own Share percentage must be less than 50%.

How your deposit account works

Your fixed monthly premium is divided in two. Half helps fund the cost of this healthcare scheme. The other half goes into your own deposit account. So if you decide on a fixed monthly premium of, say £60, you'll be building your deposit account by £30 a month.

When you need to claim, your personal deposit account will pay part of the cost, but we'll always pay the majority share. The more money you have in your personal deposit account, the more of your chosen level of cover you'll be able to claim.

In order to limit the impact of losses on this product to other members of the Society, we needed to increase the Own Share percentage to its maximum, i.e. 49%, for as many policyholders as possible. In order to remain fair to customers, it seemed reasonable to keep a small difference in the Own Share percentage for individuals below 65 where their claims experience is typically significantly better than those over the age of 65.

Claims experience on Group plans has tended to be better than non-group plans and so the Own Share percentage on these did not need to be increased as much.

I note that there has been no meeting of the Members Focus Group this year. Would the Board outline what arrangements are now in place for formal consultation with Members. A Mutual organisation needs to be seen to demonstrate its difference from a commercial company.

As a Friendly Society it is important that we engage and consult with our members. In the past we have used the Member Focus Group to discuss different topics impacting our Society, our members, and the community we serve. As the Society transforms, we need to look at how we engage with members in line with new regulatory standards. We are launching a new feedback survey that members will be able to give feedback once they have telephoned in October.

Our new Head of Marketing, in collaboration with the Executive Committee, will be reviewing how we communicate and consult with our membership, and the role the Member Focus Group will play in that, during Q4. We'll then let our members know what insight, collaboration/consultation we would like their insight on, and the best way to have these conversations with our members.

Hi there you know the freestyle that diabetes wear on there arm, well I would like to put senior and lazier inside and outside their home, so if they fall and go into one, the sensor will set off the lazier and the lazier will flash green and blue, so this will tell people walking or driving by, saying that's a diabetic house go and get help, green and blue will be the diabetic colours, and have it in their cars as well, yours Philip James and to have more beds in the NHS, what should be done is, once after the operation and getting better in recovery but still need a weeks more before sending them home what they should do as there is nurses and doctors in nursing homes anyway send the pension to nursing homes near where they are from, it be a win win, and there be extra beds, for the hospital, this way

Thank you for your suggestion in the context of diabetes it is certainly something we could investigate further as a potential benefit for members who have one of our medical or income protection policies and suffer from diabetes.

Were members of the Society consulted before claims management was transferred from AXA/PPP to Alliance Healthcare in February this year? I have found Alliance Healthcare difficult to deal with on occasions

The Society moved it's claims management function to AHG in May last year following a competitive tender process which was reviewed and agreed by the Board of Directors. The decision to move to another party was taken after price increases were received from Axa and notification that they did not wish to continue with 3rd party claims handling.

Moving claims handlers is an extremely complex task; not everything unfortunately worked as intended at the outset despite best efforts from all involved, but AHG have worked hard with us to address any initial service issues post the claims management transfer. Our and AHG's aspiration remains to deliver an excellent service to all members and monthly meetings are held to look at what works particularly well, where improvements could still be made.

How are consultant fees assessed, taking into account the seniority and expertise of each consultant?

A Schedule of Fees is published on our website for services provided by specialists. The majority of specialists hold contracts with AHG and there are agreed rates for consultations, operations and other treatments and we believe our rates are market competitive.

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