

CIRENCESTER FRIENDLY

Fair Value Assessment

Income Assured Enhanced

FOR FINANCIAL ADVISER USE ONLY

INCOME
PROTECTION
PROFESSIONALS

WHO WE ARE

Cirencester Friendly was established in 1890 in Cirencester, Gloucestershire. Primarily formed for the benefit of local agricultural workers based in Gloucestershire, today the Society caters for the income protection needs of over 43,000 Members from all walks of life across the UK.

Cirencester Friendly's Income Assured Enhanced contract follows the traditional 'Holloway principle' first introduced by leading industrialist George Holloway in the late 19th Century. Holloway-style income protection insurance combines the essential elements of income replacement insurance with the option to share in the surpluses of the Society by building a capital sum payable at the maturity of the contract.

My Earnings Protected, the Society's pure income protection contract, provides flexible cover options allowing advisers to tailor the contract to each individual client's needs. My Earnings Protected is available through financial advisers, mortgage and protection advisers and protection specialist brokers.

Alongside our income protection contracts, the Society offers a range of enhancements, My Extra Benefits. These include Fracture & Hospitalisation Benefit and Immediate Death Benefit.

Cirencester Friendly is a mutual organisation. This means we have no issued share capital quoted on a stock exchange and are owned by Members who hold a contract with the Society, not by shareholders. A Friendly Society is run for the benefit of its Members who have the right to participate in the running of the Society.

In keeping with our mutual Member-centric approach, we're not only there when Members need us most, but also go above and beyond to ensure that our contracts deliver more than just a contractual financial pay-out. With this in mind, the Society offers Members a suite of discretionary value-added benefits at no extra cost, focusing on support & wellbeing and perks & lifestyle. The current range includes Children's Critical Illness Support, Friendly Voice provided by RedArc, GP24 provided by Health Hero, the 125 Foundation, Your Halo provided by healthcare rm, Member Perks and, finally, discounts on a range of Fitbit devices.

Here are just some of our achievements:

- Gross premium income £22.66m (2023)
- Over 43,000 Members
- 95.8% of claims paid (2023)
- Awarded Investors in People Gold accreditation in 2023
- ICS business benchmarking survey (FA's) (Score 89.7)
- Award-winning income protection contracts



OUR PRODUCT

Income Assured Enhanced¹



- Own occupation cover
- No premium loading for occupation, smoking or hazardous pursuits²
- Guaranteed Annual Escalating premiums³
- Optional Day One Accident Protection
- Benefit payable from 1, 4, 8, 13, 26 or 52 weeks deferred
- Cover up to 60% of gross taxable earnings
- Guaranteed insurability options
- Option to build a capital sum and share in the Society's profits (Holloway style)

¹Income Assured Enhanced can only be sold by suitably qualified investment regulated advisers (formerly known as CF30)

²Excluding motor sports

³Subject to age band increases, indexation and contract changes



TARGET MARKET ASSESSMENT

Product Description

- Our Income Assured Enhanced contract allows a client to insure part of their earnings in case they're unable to work due to illness or injury and, as a result, have a loss of earnings.
- The contract is designed to support clients until the contract retirement age.
- The contract pays out a regular income until the client covered no longer meets our definition of incapacity, returns to work, reaches the contract retirement age, dies or the contract ends.

Who ARE our products designed for?

- Individuals who are residents of the UK, with no immediate intention to live or work abroad.
- Individuals who are either employed or self-employed, earning more than £4,550 per year, whose earnings are taxable in the UK, or are performing the role of a bona fide houseperson (maximum cover capped at £2,730 pa).
- The product is suitable for individuals aged between 16 - 59 years at contract inception, who have a planned retirement age between 50 – 70 years.
- There is a Holloway style version of the product which is targeted at those individuals who are interested in investing in the success of the Society, and who want to receive a share of our surpluses at retirement, or once their income protection contract term ends.
- We don't apply premium loadings due to occupation. Our pricing is aimed to be competitive for class 3 and 4 occupations.
- The product is suitable for both smokers and non-smokers, and clients who participate in hazardous pursuits (excluding motor sports), which can also mean we are competitively priced for class 1 and 2 occupations.
- The product can be suitable for those consumers who want the option of their cover increasing over the term of the contract in line with indexation.



TARGET MARKET ASSESSMENT

Who are our products NOT designed for?



- Clients looking specifically for a lump sum benefit.
- Clients looking for short term cover only (typically to cover only 1, 2 or 5 year maximum), as Income Assured Enhanced is long term only.
- Clients looking for income if they become unemployed or redundant.
- Clients that fail to meet our documented eligibility criteria.
- Clients who do not habitually reside in the UK.
- Clients who need more than £40,950 of cover per annum.
- Clients who require an incapacity definition other than Own Occupation.
- The Holloway Option is not suitable for consumers who wish to access the surpluses they have accrued in full, earlier than their planned contract end date.



Day One Accident Protection

Day 1 Accident Protection, provides the weekly benefit from Day 1 should a client be signed off unfit to work by a GP due to an accident. An accident is defined as “a sudden visible bodily injury resulting from an external force”. This option is attractive to clients who are self-employed, or don't receive sick pay from their employers, and would benefit from having some cover from Day 1.

This is attractive to clients who don't have the budget for a short-deferred period. It enables them to select a longer deferred period making their premium cheaper, however providing the client with cover from Day 1 for Accidents.

Not suitable for clients that are already in receipt of 60% of their gross annual earnings from their employer from Day 1.



TARGET MARKET ASSESSMENT

Distribution Strategy

We distribute solely through the UK intermediary sector. We don't provide advice or sell directly.

The contract can only be sold on an advised basis, by suitably qualified investment regulated advisers (formerly known as CF30).

Cirencester Friendly's distribution strategy is to partner with intermediaries who have the necessary knowledge, expertise, and competence to understand the features of our income protection products and our target market.

We evaluate the suitability of intermediaries to support the delivery of fair value and good outcomes to our target market, prior to adding them to our distribution channel by following our Due Diligence process.

Advisers can source quotes through comparison portals such as IRESS and iPipeline, and they can then apply to us using our SSG adviser portal.

Any amendments to existing contracts can only be made by investment regulated advisers, therefore a Member cannot make amendments to their contract directly.



TARGET MARKET ASSESSMENT CONTINUED

HOLLOWAY OPTION

Product Description

The Holloway option is an option available on the contract for those who are interested in investing in the success of the Society and would like to receive a share of our surpluses at retirement, or once their income protection contract term ends.

A Member will not accrue any surplus or interest for the first 2 years of their contract.

Early redemption fee

A Member who cancels more than 5 years prior to the selected retirement age on their contract, will receive their capital account balance, subject to a deduction of 10%.

A Member who cancels during the period of 5 years before their selected retirement age, will receive their capital account balance, subject to deduction of 2% of the value thereof multiplied by each year or part year remaining between the date of application and the selected retirement age, up to a maximum of 10%.

Benefit

The weekly benefit paid is calculated using units of cover, which provides £10.50 worth of benefit. The minimum number of units a client can have is 5, equating to a minimum weekly benefit of £52.50.

The cost

The cost of profit participation is a fixed 53p per unit of cover, per month and does not increase with age, although the premium payments for benefit will rise in accordance with the Members age each year following the Members birthday.

PAST PERFORMANCE

Surplus Allocation

- 2023 - £10.80
- 2022 - £10.80
- 2021 - £10.80
- 2020 - £10.80
- 2019 - £10.80
- 2018 - £10.20

Interest

- 2023 – Interest bonus – 2.0%
- 2022 – Interest bonus – 2.0%
- 2021 – Interest bonus – 2.0%
- 2020 – Interest bonus – 2.0%
- 2019 – Interest bonus – 3.0%
- 2018 - Interest bonus – 3.0%

From 2018-2021, interest rates did not fall below 2.0%, despite base interest rates being 0.25%.



MY EXTRA BENEFITS (MEB)



Overview

My Extra Benefits includes different options for your client, which are rider benefits to our individual income protection contracts.

For **£11** per month, they can take out **Fracture & Hospitalisation Benefit** and **Immediate Death Benefit** as a package.

Alternatively, **Fracture & Hospitalisation Benefit** costs **£6** per month – and **Immediate Death Benefit** costs **£5** per month.

Fracture & Hospitalisation Benefit

Provides a lump sum payment of £1,500 in the event a client suffers a fracture to one of the listed bones. Subject to a maximum of one claim in any 12-month period.

Hospitalisation Benefit

Provides a payment of £50 per night, following three consecutive nights in a UK hospital (backdated to the first night's stay).

Paid irrespective of whether the client is in receipt of income protection benefit.

Immediate Death Benefit

Provides a lump sum payment of £7,500 if a client dies in their working life, with cover ceasing on the client's selected retirement age.

Please note - My Extra Benefits cannot be purchased on a standalone basis.

TARGET MARKET ASSESSMENT

Who ARE My Extra Benefits designed for?



- Employed or self-employed clients, with regular earnings, who want to insure themselves against loss of income due to illness or injury.
- At outset, clients between the age of 16 years of age and have not yet attained age 65.
- Clients who live in the UK, are registered with a UK doctor, are paying UK tax and are working at least 16 hours per week.
- Is attractive to clients who have a higher risk of injuries, e.g. have a manual occupation and/or participate in hazardous hobbies.
- Clients that are either a prospective or existing holders of one of the Society's income protection contracts.

Who are My Extra Benefits NOT designed for?



- Clients who have had a fracture or injury requiring hospitalisation in the past 12 months.
- Clients looking for a lump sum if diagnosed with a critical illness.
- Clients looking for an income if they become unemployed or are made redundant.
- Clients looking to pay off their debts.
- Clients who don't meet our eligibility requirements.

PRODUCT APPROVAL PROCESS

Cirencester Friendly has an approved Product Oversight and Governance Policy, which has been implemented within the Society in accordance with the FCA's rules and guidance. The following are in place to ensure compliance with this policy:



PRODUCT APPROVAL
PROCESS



FAIR VALUE
ASSESSMENT



TARGET MARKET
ASSESSMENT

THE PRODUCT APPROVAL PROCESS:



FAIR VALUE ASSESSMENT

Based on the following assessment, Cirencester Friendly has concluded that its Income Assured Enhanced and My Extra Benefits products offer fair value.

Intended Value of the Product

Income Assured Enhanced is designed to meet the income protection needs of the target market by paying claims in the event of loss of income, due to illness or injury to the contract holder.

This contract is an individual protection product which is purchased to meet a specific need, to mitigate against an event that may or may not arise in the future.

The timing and amount of benefit that may or may not be payable are unknown at the outset of the contract and are dependent on particular risks materialising.

The value to the contract holder is not how much is paid out in benefits compared to the premiums paid, but whether the contract pays the required amount, at the right time, when the need arises.

If the Holloway option is selected, although the product can accrue a capital account balance, it is not intended to be a savings account.

Remuneration of the Distributors

Distributors are remunerated by commission payable by Cirencester Friendly for the sale of income protection contracts.

In the evaluation of the distribution channels that are used, the Society has not identified any intermediaries who charge the consumer a fee specifically in relation to the arrangement of the contracts.

Our fair value assessment has factored in the cost of commission, and the clarity of end price paid by the consumer.

Cirencester Friendly relies on distributors to inform them if there are any additional fees and charges levied in respect of arranging income protection contracts that are paid by consumers, so that this can be factored into Cirencester Friendly's fair value assessment. The Society requests sight of the fair value assessment conducted by intermediaries where additional fees and charges are levied.



FAIR VALUE ASSESSMENT CONTINUED

Use of Advisers for Demands and Needs Assessment

As this is a long-term insurance contract, there is the risk that contract holders demands and needs change over time, and that the cover they purchased at the outset of the contract may not meet evolving needs.

It is our expectation that advisers continue to support their clients on an ongoing basis. Typically, changes in salary, available sickness benefit from an employer, or accepting a role outside the UK, which are factors that may alter the cover required, or ongoing eligibility for the contract.

The Society sends an annual statement to each Member confirming the details of their income protection contract, encouraging them to review their cover and evaluate if their circumstances have changed.

Complaints Policy

The Society aims to deliver a high standard of service to its Members. If any Member believes that we have failed in this aim, they have recourse to our complaints procedures. We have documented procedures for the handling and recording of complaints. We deal with all complaints with due care, ensuring that they are thoroughly investigated. The Audit and Risk Committee regularly reviews the number and type of complaints received, in order to monitor that complaints are properly dealt with and corrective action is taken to prevent recurrence. Senior management deals with serious complaints. All complainants are made aware of the option to appeal to the Financial Ombudsman Service.

Complaints Data

In the first quarter of 2024, Cirencester Friendly received 41 complaints and had a policy count of 43,145, resulting in a complaints rate of 0.01% of policies in force.

Cirencester Friendly evaluation of complaints data when assessing fair value

Cirencester Friendly evaluates the complaints root causes and trends as part of our fair value assessment. We consider the volume of complaints indicate a low risk that the contract and services are resulting in poor Member outcomes and as a result, support our overall assessment that the contract provides fair value to our Members.



FAIR VALUE ASSESSMENT CONTINUED

HIGHLIGHTS

95.8%

of claims were paid in 2023

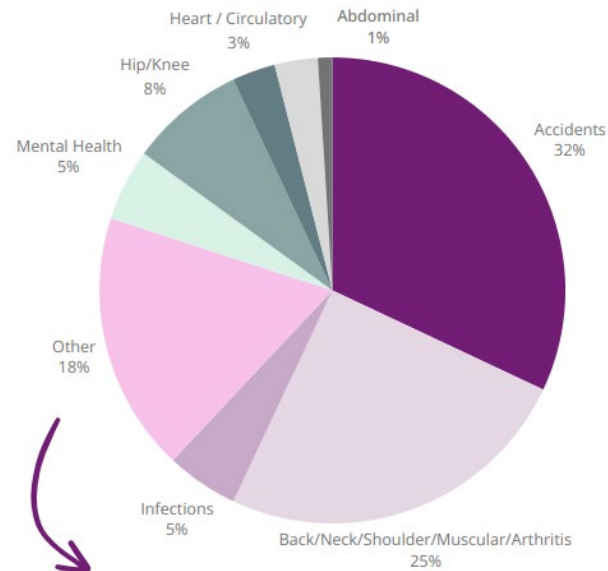
More than £9.3m was paid in benefit to Members*

We've maintained an average of 94.5% for over 10 years



*Including all benefit payments for income protection, My Extra Benefits, and Children's Critical Illness Support

Reasons why Members Claimed



Some examples of Other include claims relating to Digestive, Nervous System, Respiratory, Ear, Eye, Skin, Blood and Allergies

HISTORICAL CLAIMS DATA

Percentage of Claims Paid:

2023 – 95.8%

2022 – 95.4%

2021 – 93.6%

2020 – 94%

2019 – 95.7%

2018 – 95.2%

2017 – 94.7%

2016 – 94.7%

2015 – 94%

2014 – 94%

2013 – 94%

2012 – 94%

2011 – 94.3%

2010 – 94%

2009 – 94%

Average paid over the past 14 years: 94%



FAIR VALUE ASSESSMENT CONTINUED

Included with Cirencester Friendly's income protection contracts, are a range of discretionary additional benefits available to both new and existing Members. The suite of Additional Benefits are called Member Rewards.

These benefits are paid for through the Members' Mutual Fund (MMF), resulting in the benefits really being 'free' to the Members.

Cirencester Friendly's benefits are available to the Member, regardless of whether they're in claim or not, and are automatically available to them.

MEMBER REWARDS

Support & Wellbeing



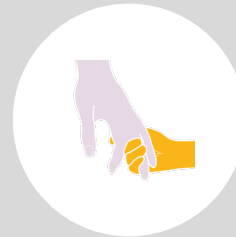
GP 24

A virtual GP service via telephone and video appointment with a qualified GP.



Friendly Voice

A confidential telephone service from a Personal Nurse, that offers practical help, emotional support, therapies and even second medical opinions.



Children's Critical Illness Support

Children's Critical Illness Support provides a lump sum of **£2,500**, if a Member's child is diagnosed with one of the listed Critical Illnesses.



125 Foundation

The 125 Foundation provides exclusive financial support to clients, their communities or causes that are close to their heart.



YourHalo

A personalised health and wellbeing service, including physical wellbeing, food & nutrition, good sleep and exercise & activity.

These are additional discretionary benefits that can be withdrawn at any time

Lifestyle



Member Perks

Clients have access to a range of discounts and offers on popular brands such as M&S, EE, Apple, Fiat, high-street shops, and free telephone legal advice.



Fitbit

Clients can benefit from up to 22% off a range of Fitbit devices.

FAIR VALUE ASSESSMENT CONTINUED

Service

Cirencester Friendly is a mutual organisation. This means we have no issued share capital quoted on a stock exchange and are owned by Members who hold a contract with the Society, not by shareholders. A friendly society is run for the benefit of its Members, who have the right to participate in the running of the Society.

We offer different communication channels to allow our Members a choice of how they communicate with us. We pride ourselves on customer service, which is testament to the awards we have won e.g. Defaqto Gold Service Rating, Moneyfacts Winner of Best Protection Service 2023, WhatMortgage winner of Best Financial Protection Provider, to name a few, as well as being a Member of the Institute of Customer Service. To be there for our Members, we don't have call handling deadlines, allowing Members the personal touch, this all contributes towards our award-winning customer service.

Pricing Strategy

Included within Cirencester Friendly's comprehensive Distribution strategy, when looking at the pricing, Cirencester Friendly considers the following:

- The market;
- Equivalent products in the market;
- Society costs;
- Remuneration model;
- Actuarial assumptions;
- Distribution channels.

DISTRIBUTION ARRANGEMENT

We distribute solely through the UK intermediary sector. We don't provide advice or sell directly. The contract can only be sold on an advised basis, by suitably qualified investment regulated advisers.

Cirencester Friendly's Distribution Strategy is to partner with Intermediaries who have the necessary knowledge, expertise and competence to understand the features of our income protection products and our target market.

We evaluate the suitability of intermediaries to support the delivery of fair value and good outcomes to our target market, prior to adding them to our distribution channel by following our Due Diligence process.

Appropriateness

The product will be sold within the regulatory market and by Partners (distributors) who understand and work with our target market for the product.

The distribution model of the intermediary will be evaluated, and only those intermediaries who have adequate knowledge, competence and expertise will be selected.



FAIR VALUE ASSESSMENT CONTINUED

DISTRIBUTION ARRANGEMENT CONTINUED...

Restrictions applied:

The product can only be sold where agreed Terms of Business (TOBs) exist between the Society and the Partner (distributor) organisation. Contracts can only be applied for via the SSG adviser portal, by an adviser/paraplanner. System checks will be in place to prevent any applications from being processed where TOBs are not active.

Advisers must be authorised to advise on investment business (formerly CF30). Any contracts sold by advisers without the necessary certification will be cancelled.



FAIR VALUE ASSESSMENT CONTINUED

CONSUMER DUTY

As a mutual, our customers are at the heart of all we do and with this in mind, we welcomed Consumer Duty.

Last year, we took the opportunity to review our products and processes in line with the four outcome rules of Consumer Duty; 1.Product and services; 2.Price and value; 3.Consumer understanding; 4.Consumer support and the cross-cutting rules.

Since then, we have continued to enhance our products and processes.

Recently we have;

- Launched a new annual statement for all Members.
- Launched our new online claims form, allowing Members to submit a claim quicker and easier.
- Members now have a dedicated claim handler for the duration of their claim.
- We upgraded both our BMI and Auto-medical report limits, to allow more favourable terms to Members.

We're continuously looking for ways to improve for our Members, in accordance with the Consumer Duty.



INCOME PROTECTION PROFESSIONALS
www.cirencester-friendly.co.uk