

HOW WE MAKE SURE WE OFFER FAIR VALUE

Who's our Target Market?

When we're building our products, we decide who can buy our insurance. We call this our 'target market'. We look at what sort of people might need the insurance and also think about who won't need it.

Our current insurance, My Sick Pay, can be bought by people who:

- have a job and want to be able to pay their bills if they can't work because they're ill or injured
- are at least 18 years old but less than 60
- live in the UK and have been registered with a GP at least 3 years
- regularly work at least 16 hours a week and
- are employed or self-employed.



My Sick Pay shouldn't be bought by people who:

- won't have a need for the insurance – for example because they're already insured
- want to be protect themselves against becoming unemployed
- are in a high risk job we won't cover, for example if they work at extreme heights or on oil rigs (we won't return quotes for jobs we won't cover)
- already have serious medical conditions that mean we can't offer them insurance. Although sometimes we can offer them insurance, for example at a higher price.

We previously sold a number of other insurance products which are now no longer available to buy: Purely Income Protection, Short Term Income Protection and one2protect. These all had similar target markets.

Someone who buys our insurance becomes a Member of Holloway Friendly Society.



The main features of our products

In 2022 we replaced our old products with a new product called My Sick Pay. Our fair value assessment covers both My Sick Pay and our previous products.

My Sick Pay provides our Members with a replacement income each month if they become too unwell to work because they're ill or they've had an accident.

We only sell it through intermediaries who provide advice or guidance to their clients, which helps make sure customers set up their insurance in the right way.

Setting up My Sick Pay – choices available

Our Members can make a number of choices about how they set up My Sick Pay, based on their needs and budget. This includes:

- how much Sick Pay they need us to pay them each month
- how long they'll wait between becoming too unwell to work and when we start to pay them
- how long we'll pay them Sick Pay for, for each claim – this can be 1 year, 2 years or to an end age of their choice
- whether they want their Sick Pay to keep up with the costs of living
- the end date of their insurance.

They can choose for their insurance to end at any time between their 50th and 70th birthday, as long as that's at least 5 years away from when they buy it.

Other benefits included in My Sick Pay

My Sick Pay includes other benefits. For example:

- Members can choose not to increase their Sick Pay and what they pay for it by the cost of living each year, if they decide they don't need it
- Members can increase their Sick Pay when some key life events happen without us asking them any extra questions. For example, getting married, having or adopting a child and a number of other things
- Members can pause their insurance and payments for up to 6 months, for example if they want a break from payments. They can do this after they've had their insurance for 3 months
- Members can receive six months' worth of Sick Pay as a lump sum if they're diagnosed as having a year or less to live
- Members can receive top up payments to their income for up to a year, if they make a claim then go back to work in a lower paid role, or are working less hours than before
- Members can receive financial help towards an operation or other medical help which could help them recover more quickly
- we have no standard exclusions 'in the small print' (for example HIV or alcohol)
- we don't deduct state benefits from claims payments, so Members receive the full amount of their insurance
- we don't increase the price if someone buys the insurance then moves to a riskier job, even if it's one we wouldn't have insured originally. We may be able to offer a lower price if they move to a lower risk job
- we pay out if someone can't work in their 'own job' which is the narrowest claims definition available, and therefore the easiest to claim on
- we include a Drop In Earnings guarantee. If someone's earnings drop after they buy their insurance, meaning they have more insurance than would normally be allowed, we'll guarantee to still pay them a certain amount (usually £1,500 – amount is shown on each illustration)
- my Sick Pay is free while we're paying out a claim.

Pricing: the options available and how we work out the price

To give a bit of background, we're a Friendly Society which means we're owned by our Members and not shareholders.

Our customers become Members of Holloway Friendly Society when they buy insurance with us.

Our insurance is a long term contract which means it doesn't need to be renewed each year and we can't change the terms and conditions once it's been bought. Members can, of course, cancel at any time.

We have to deliver value for money to both:

- new customers – to make sure that the insurance they buy from us is good value for money, and
- existing Members – to make sure the insurance we're selling to new customers delivers a fair return for our existing Members, and also covers the costs of running our business and providing a high level of service.

Choice of level or age-based prices

We offer two types of pricing with My Sick Pay: level prices, and age based prices.

Level prices stay the same over the lifetime of the insurance and don't go up with age.

Age-based prices go up each year with age, but usually start off a lot lower than level prices. This can help make the price more affordable at the start, if budget is an issue. The price increases with age as the risk of ill health increases as you get older.

Choice of guaranteed or reviewable prices

Members can choose a guaranteed price, which is fixed for the future.

Or they can choose a reviewable price, which normally costs slightly less, but can change in the future and go up, down, stay the same.

With the reviewable option, we can change the price after the first 5 years if:

- the number of claims we are getting is very different from what we expected; and/or
- the costs of running the business have changed.

Cost of living increases

Members can choose to increase their insurance and the price they pay for it by the rate of inflation each year. We increase both by the same percentage (some other providers increase the price at a higher rate than the increase in the amount of insurance – our approach costs the Member less over time, and we think offers better value for money).

How we work out the price

When we work out the price we include:

- the claims risk for that member
- an average of the amount we pay to advisers
- what it costs us to set it up
- what it costs us to pay claims and service their insurance
- value for existing Members.



The quality of service we provide

We believe the most important service we provide is paying our Members an income if they can't work because they're ill or injured. We also support them in their recovery and help them back to work where we can.

We aim to be as inclusive as we can with our underwriting and who we insure. Underwriting means collecting health and lifestyle information from someone and then deciding whether we're able to offer them insurance. So being inclusive with our underwriting means we aim to offer our insurance to a wide range of people.

We usually gather health and lifestyle information through an online application, which is completed by the financial adviser. There's also the option for a telephone interview with a trained nurse if the customer or adviser prefers to talk to someone.

We use our underwriting philosophy to guide our underwriting decisions. We look for reasons to offer insurance to people rather than turning them down. We try to insure customers with pre-existing conditions where we can, though sometimes we have to increase their price to reflect the risk. Sometimes we can offer insurance, but have to explain they won't be able to claim on their pre-existing condition. And sometimes we can provide the choice between both.

We don't always ask for medical evidence from doctors when customers apply for insurance as it often doesn't add much extra value to our decision making. This helps us reduce both our costs and the delay for the customer in getting insured.

We also don't ask for medical evidence just because the customer wants a higher amount of insurance. This approach makes us different from most other insurers.

To make sure we're collecting the right information in an effective way, we check the information on the application form against medical records for around 10% of new Members each month. We don't change the Member's price even if we find out it should have been different when they applied. We look at the results and discuss them at our Underwriting Technical Forum.

Our Underwriting Technical Forum includes senior managers, underwriters and colleagues from other areas that can help when they're needed. They look at all underwriting matters including any changes that might have an impact on customers and Members.

We've got an experienced team of underwriters and they work closely together to quality check underwriting is fair and consistent. We monitor underwriting outcomes closely and look for opportunities for us to improve things where we can.

We continue to support our Members all throughout the time they have their insurance, including being flexible with them as their circumstances change.

We offer a number of options to our Members to help them manage their insurance.

- After they've paid for their insurance for 3 months they can pause their insurance and what they pay for it for up to 6 months. They won't be able to claim on their insurance while they're not paying for it
- We offer Members a 'Life Changes Guarantee'. This means they can increase their insurance without us asking them any new medical questions, for example, if they get married, have a baby or take out a mortgage
- Members can change their insurance whenever they need to, as long as there are 5 years left on it. They can:
 - Change the length of time they have to wait between becoming too unwell to work and when we start paying them Sick Pay
 - Change the amount of their insurance, and
 - Change the date their insurance ends.

We may have to ask them some more medical questions when they do.

We allow Members to take parental leave during their insurance for up to a year at a time. We'll still pay claims during this time, and look at the claims as if the member was working (so this will be based on what they did before parental leave and what they were earning when before they took their leave).

We aim to pay claims as quickly as possible. We also look for reasons to pay claims whenever we can. We try to support our Members when they are claiming by keeping in touch with them regularly to see if there's anything we can do to help them to get back to work.

We offer a range of support services including Red Arc, Form Health, Best Hopes and Care First. These services help us support Members where the NHS either can't help or might be slow to act, to help people get better, sooner. While these are mostly used during a claim, we can use them to help Members whenever they are needed.



Care first

We also use Global Voices, a three way translation service, to support Members whose first language isn't English.



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