

Fair value assessments

September 2023

This document has been prepared to provide an assessment of the value provided by our insurance products.

Life cover – Real Life

Compliance with FCA PROD rules		
We are the product manufacturer		
We have carried out a PROD assessment on the product, including confirmation that we have;		See Target Market Assessment
a) Identified the target market		
b) Regularly sought feedback		Through a customer feedback management tool
c) Regularly monitored and reviewed the product		Products are regularly reviewed in line with our governance framework. All products are required to be reviewed at least annually
d) Where there has been a significant change or amendment to the product, we have put the amended product back through the full PROD assessment		Our product governance framework requires this
e) Considered the charging and fee structure for the product		
f) Rationalised why we have chosen our current distribution chain		
g) Identified the characteristics and features of the product.		Characteristics and features in relation to the target market can be found in the Target Market Assessment

Fair value assessment 2023	
<p>What is the intended value of the insurance product?</p>	<p>Our Real Life product is designed to provide fair value to our customers through the provision of quality life cover, which pays a lump sum benefit on death or diagnosis of a terminal illness.</p> <p>The premium that our customers pay is made up of many different factors, including:</p> <ul style="list-style-type: none"> • Their individual risk profile, taking into account age, medical and family history, occupation and hazardous pursuits • The overall cost of offering the product, including underwriting and commission payments • Expected future investment returns • Expected future lapses • Expected claims experience • Reinsurance costs.
<p>Does the design of the product enable suitable use by the target market?</p>	<p>Real Life is most likely to be suitable for customers who would be paying extra in insurance premiums or who find it difficult to obtain insurance due to their health.</p> <p>Real Life has only 2 possible claim events, death or terminal illness, with few policy exclusions for when a benefit will not be paid. It is therefore deemed to enable suitable use by the target market.</p>
<p>Are there any limitations of the product that prevent the target customers from fully using the product?</p>	<p>There are not deemed to be any significant limitations preventing target customers from using Real Life.</p>
<p>Does the product allow for comparison to other products in the market?</p>	<p>Real Life is available for external comparison via services that compare the breadth and quality of product features and benefits.</p> <p>Given that Real Life’s target customers are primarily those with serious or multiple health conditions, it is not available to compare on price via standard comparison portals. We do, however, offer a quick quote service that enables advisers to input the expected premiums loading for their client and to receive an instant quote.</p>

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.
Will the product have a finite lifespan?	Real Life covers customers for their selected policy term. This can be any number of years between 5 and 50 and must end before they reach their 90th birthday. The total cost of the policy to the customer is detailed alongside their quote and at the start of the contract.
Does the product in its current form offer fair value to target customers, including those in vulnerable circumstances?	<p>Based on our product review completed in March 2023, Real Life is considered to offer fair value to our members. The review considered the relationship between the overall price paid by Real Life members and the quality of the product and service provided to them. A commentary of key metrics is shown below:</p> <ul style="list-style-type: none"> • Service levels were deemed to meet the expectations of our members in the majority of cases • High member satisfaction was recorded through the use of external review providers • Full claim payments were made in the vast majority of cases • A low number of complaints were recorded • No risk reports were recorded • Distribution channels and arrangements were considered suitable for the target market • The relationship between the price paid by customers and the overall claims, expenses, operational and distribution costs to The Exeter to offer the product was considered reasonable. Costs were therefore deemed to be justifiable and compatible with the needs of target customers. <p>We continue to review the suitability of our products and services for customers that find themselves in vulnerable circumstances. Our approach is detailed in our Vulnerable Customers Charter, available at https://www.the-exeter.com/vulnerable-customers-charter/. Our teams receive training to spot and deal with vulnerability and ensure we act to deliver good outcomes to all our members.</p>

Were there any adverse findings in this assessment?	No - our 2023 product review reported an increase in the proportion of policies placed in trust (an adverse finding in 2022). This is now above market average.
If so, are any mitigating actions in place to prevent foreseeable harm to customers?	N/A
Is differential pricing used on this product?	No differential pricing is used on Real Life.
Is there another product offered which offers similar benefits for a lower cost?	No - Real Life is our only life cover product available to new customers.
What is the impact of distribution arrangements on the value of the product?	A commission payment is made by The Exeter to the intermediary. This can be paid on an indemnity or non-indemnity basis or may be sacrificed by the adviser. Commission payments are taken into account when deriving premiums and are paid at a market-competitive rate. The distribution channels and arrangements for Real Life were considered suitable for the target market and were not deemed to damage intended product value.
How are distribution arrangements assessed to ensure ongoing value of the product?	We have a designated framework for monitoring distribution arrangements. The framework aims to ensure the best possible customer outcome by analysing and discussing the quality of business written by advisers, broken down into multiple areas including lapses, claims, take-up rates and commission exposure. Complaints information also feeds into this meetings to monitor the suitability of advice. To support advisers in their recommendations, we provide ongoing product training via our distribution team.

Income protection - Income First

Compliance with FCA PROD rules		
We are the product manufacturer	✓	
We have carried out a PROD assessment on the product, including confirmation that we have;	✓	See Target Market Assessment
a) Identified the target market		
b) Regularly sought feedback	✓	Through a customer feedback management tool
c) Regularly monitored and reviewed the product	✓	Products are regularly reviewed in line with our governance framework. All products are required to be reviewed at least annually
d) Where there has been a significant change or amendment to the product, we have put the amended product back through the full PROD assessment	✓	Our product governance framework requires this
e) Considered the charging and fee structure for the product	✓	
f) Rationalised why we have chosen our current distribution chain	✓	
g) Identified the characteristics and features of the product.	✓	Characteristics and features in relation to the target market can be found in the Target Market Assessment

Fair value assessment 2023	
<p>What is the intended value of the insurance product?</p>	<p>Our Income First product is designed to provide fair value to our customers through the provision of quality income protection cover, which pays a regular benefit if customers are totally unable to work as a result of being ill or injured.</p> <p>The premium that our customers pay is made up of many different factors, including:</p> <ul style="list-style-type: none"> • Their individual risk profile, taking into account age, medical and family history, occupation and hazardous pursuits • The overall cost of offering the product, including underwriting and commission payments • Expected future investment returns • Expected future lapses • Expected claims experience • Reinsurance costs.
<p>Does the design of the product enable suitable use by the target market?</p>	<p>Income First has a broad target market, catering for customers in all occupation classes with only a small number of occupations we are not able to accept. Providing customers meet our eligibility criteria and are either employed, self-employed or a company director, the design of the product enables suitable use by the target market.</p>
<p>Are there any limitations of the product that prevent the target customers from fully using the product?</p>	<p>Certain product features, such as Guaranteed Insurability Options, policy breaks and the Employer Change Promise require members to have held an Income First policy for a certain length of time before they can be used. The core monthly benefit, however, can be paid to members making a valid claim as soon as their selected waiting period has finished.</p>
<p>Does the product allow for comparison to other products in the market?</p>	<p>Income First is available for external comparison via services that compare the breadth and quality of product features and benefits.</p> <p>Income First quotes can be compared via all of the main comparison portals.</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.</p>

Will the product have a finite lifespan?	Income First covers customers up to their selected finishing age. This can be any year between the ages of 50 and 70 and should reflect how long they intend to work and receive a regular income. The total cost of the policy to the customer is detailed alongside their quote and at the start of the contract. Customers have a choice of three premium options when they apply which determine how premiums will change over the course of their policy. For customers selecting age-costed premiums, which increase with age, a schedule of future premiums is supplied at the start of the contract.
Does the product in its current form offer fair value to target customers, including those in vulnerable circumstances?	<p>Based on our product review completed in September 2023, Income First is considered to offer fair value to our members. The review considered the relationship between the overall price paid by Income First members and the quality of the product and service provided to them. A commentary of key metrics is shown below:</p> <ul style="list-style-type: none"> • Service levels were deemed to meet the expectations of our members in the majority of cases • High member satisfaction was recorded through the use of external review providers • Expected cost of claims • A low number of complaints were recorded • No risk reports were recorded • Distribution channels and arrangements were considered suitable for the target market • The relationship between the price paid by customers and the overall claims, expenses, operational and distribution costs to The Exeter to offer the product was considered reasonable. Costs were therefore deemed to be justifiable and compatible with the needs of target customers. <p>We continue to review the suitability of our products and services for customers that find themselves in vulnerable circumstances. Our approach is detailed in our Vulnerable Customers Charter, available at https://www.the-exeter.com/vulnerable-customers-charter/. Our teams receive training to spot and deal with vulnerability and ensure we act to deliver good outcomes to all our members.</p>
Were there any adverse findings in this assessment?	No
If so, are any mitigating actions in place to prevent foreseeable harm to customers?	N/A

<p>Is differential pricing used on this product?</p>	<p>Customers may pay a higher price for Income First based on the risk profile of their occupation. Customers in low-risk, office-based occupations can expect to pay a lower premium than those in more manual, labour-intensive occupations.</p>
<p>Is there another product offered which offers similar benefits for a lower cost?</p>	<p>No – Income First is our only income protection product available to new customers.</p>
<p>What is the impact of distribution arrangements on the value of the product?</p>	<p>A commission payment is made by The Exeter to the intermediary. This can be paid on an indemnity or non-indemnity basis or may be sacrificed by the adviser. Commission payments are taken into account when deriving premiums and are paid at a market-competitive rate. The distribution channels and arrangements for Income First were considered suitable for the target market and were not deemed to damage intended product value.</p>
<p>How are distribution arrangements assessed to ensure ongoing value of the product?</p>	<p>We have a designated framework for monitoring distribution arrangements. The framework aims to ensure the best possible customer outcome by analysing and discussing the quality of business written by advisers, broken down into multiple areas including lapses, claims, take-up rates and commission exposure. Complaints information also feeds into this meetings to monitor the suitability of advice.</p> <p>To support advisers in their recommendations, we provide ongoing product training via our distribution team.</p>

Health insurance - Health+

Compliance with FCA PROD rules			
	We are the product manufacturer		
	We have carried out a PROD assessment on the product, including confirmation that we have;		See Target Market Assessment
a)	Identified the target market		
b)	Regularly sought feedback		Through a customer feedback management tool
c)	Regularly monitored and reviewed the product		Products are regularly reviewed in line with our governance framework. All products are required to be reviewed at least annually
d)	Where there has been a significant change or amendment to the product, we have put the amended product back through the full PROD assessment		Our product governance framework requires this
e)	Considered the charging and fee structure for the product		
f)	Rationalised why we have chosen our current distribution chain		
g)	Identified the characteristics and features of the product.		Characteristics and features in relation to the target market can be found in the Target Market Assessment

Fair value assessment 2023	
What is the intended value of the insurance product?	<p>Health+ is a health insurance policy designed to help customers get the fastest possible diagnosis and the best possible private treatment.</p> <p>The premium that our customers pay is made up of many different factors, including:</p> <ul style="list-style-type: none"> • Their individual risk profile, taking into account age, medical history and family history • The overall cost of offering the product, including underwriting and commission payments • Expected future investment returns • Expected future lapses • Expected claims experience, depending on whether a customer has a No Claims Discount or Community Rated premium structure • Medical inflation • The rate of Insurance Premium Tax.
Does the design of the product enable suitable use by the target market?	<p>Health+ has a broad target market, catering for individuals aged between 18-79 as well as their families. Health+ includes comprehensive core cover with additional benefit add-ons and policy choices that allow the product to be tailored to different customer needs. Customers can change policy cover at renewal to meet changes in their demands and needs.</p> <p>Providing customers meet our eligibility criteria, the design of the product enables suitable use by the target market.</p>
Are there any limitations of the product that prevent the target customers from fully using the product?	No limitations identified.
Does the product allow for comparison to other products in the market?	<p>Health+ is available for external comparison via services that the breadth and quality of product features and benefits.</p> <p>Health+ quotes can be compared via all of the main comparison portals.</p>

<p>Is it likely the customer will renew at the end of the contract period?</p>	<p>Yes, the product is designed for renewal over many years. Renewal documentations are clear in communicating the reasons why premiums have increased and what additional benefits are available to members outside of the policy benefits. Members are encouraged to review their cover with a financial adviser (if they have one) and are reminded of the details of their policy.</p> <p>We aim for predictable premium increases and use a generational pricing method to ensure renewing customers benefit from the same pricing as new customers.</p>
<p>Does the product allow for easy switching to another provider or product?</p>	<p>Yes, there are no fees or exit penalties for customers moving to another provider. Renewal communications encourage members to review their cover and to shop around.</p>
<p>Will the product have a finite lifespan?</p>	<p>Health+ is an annually renewable contract. Once a member, they can retain cover thereafter by renewing their policy.</p>
<p>Does the product in its current form offer fair value to target customers, including those in vulnerable circumstances?</p>	<p>Based on our product review completed in July 2023, Health+ is considered to offer fair value to our members. The review considered the relationship between the overall price paid by Health+ members and the quality of the product and service provided to them. A commentary of key metrics is shown below:</p> <ul style="list-style-type: none"> • Service levels were deemed to meet the expectations of our members in the majority of cases • High member satisfaction was recorded through the use of external review providers • Full claim payments were made in the vast majority of cases • A low number of complaints were recorded • No risk reports were recorded • Distribution channels and arrangements were considered suitable for the target market • The relationship between the price paid by customers and the overall claims, expenses, operational and distribution costs to The Exeter to offer the product was considered reasonable. <p>Costs were therefore deemed to be justifiable and compatible with the needs of target customers.</p> <p>We continue to review the suitability of our products and services for customers that find themselves in vulnerable circumstances. Our approach is detailed in our Vulnerable Customers Charter, available at https://www.the-exeter.com/vulnerable-customers-charter/. Our teams receive training to spot and deal with vulnerability and ensure we act to deliver good outcomes to all our members.</p>

Were there any adverse findings in this assessment?	The experience of policies on the community rated premium option was not within expected levels, leading to concerns around needing to increase premiums for members as a result.
If so, are any mitigating actions in place to prevent foreseeable harm to customers?	Following market feedback from advisers and health insurance portals that demand for community rated is diminishing, with an increase in customers choosing affordable options such as guided options, the decision was taken to remove the option for new customers to protect future value.
Is differential pricing used on this product?	Health+ is a regionally priced product, meaning that customers living in closer proximity to more expensive hospital groups, such as those in Central London, will pay more in premiums.
Is there another product offered which offers similar benefits for a lower cost?	No – Health+ is our only health insurance product available to new customers.
What is the impact of distribution arrangements on the value of the product?	A commission payment is made by The Exeter to the distributor where a sale is made by an intermediary. This is generally made at both point of sale and renewal. Commission payments are taken into account when deriving premiums and are paid at a market-competitive rate. Health+ is also available to purchase directly from our website, which we have deemed suitable for the target market. The distribution channels and arrangements for Health+ were considered suitable for the target market and were not deemed to damage intended product value.
How are distribution arrangements assessed to ensure ongoing value of the product?	We have a designated framework for monitoring distribution arrangements. The framework aims to ensure the best possible customer outcome by analysing and discussing the quality of business written by advisers, broken down into multiple areas including lapses, claims, take-up rates and commission exposure. Complaints information also feeds into this meetings to monitor the suitability of advice. To support advisers in their recommendations, we provide ongoing product training via our distribution team.

Cash plan - One Fund (company and employee paid)

Compliance with FCA PROD rules			
	We are the product manufacturer		One Fund was acquired from Engage Mutual in 2016
	We have carried out a PROD assessment on the product, including confirmation that we have;		See Target Market Assessment
a)	Identified the target market		
b)	Regularly sought feedback		Through a customer feedback management tool
c)	Regularly monitored and reviewed the product		Products are regularly reviewed in line with our governance framework. All products are required to be reviewed at least annually
d)	Where there has been a significant change or amendment to the product, we have put the amended product back through the full PROD assessment		Our product governance framework requires this
e)	Considered the charging and fee structure for the product		
f)	Rationalised why we have chosen our current distribution chain		
g)	Identified the characteristics and features of the product.		Characteristics and features in relation to the target market can be found in the Target Market Assessment

Fair value assessment 2023	
What is the intended value of the insurance product?	<p>One Fund is a corporate health cash plan for five or more employees. It enables employees to claim cashback on the cost of common healthcare treatments.</p> <p>The premium that our customers pay is made up of many different factors, including:</p> <ul style="list-style-type: none"> • The number of employees covered • The overall cost of offering the product, including administration and commission payments • Expected future investment returns • Expected future lapses • Expected claims experience • The rate of Insurance Premium Tax.
Does the design of the product enable suitable use by the target market?	<p>One Fund has a broad target market, catering for employees over the age of 16 as well as their families. One Fund has seven levels of cover for the most popular cash plan treatments, providing flexibility to suit a range of budgets.</p> <p>Providing customers meet our eligibility criteria, the design of the product enables suitable use by the target market.</p>
Are there any limitations of the product that prevent the target customers from fully using the product?	No limitations identified.
Does the product allow for comparison to other products in the market?	One Fund is not available to compare on external comparison sites, however given its simple product structure, focused around the most popular cash plan treatments, it is easily comparable to other products on the market.
Is it likely the customer will renew at the end of the contract period?	<p>Yes, the product is designed for renewal over many years. Renewal documentations are clear in communicating the reasons why premiums have increased and what additional benefits are available to members outside of the policy benefits.</p> <p>We aim for predictable premium increases and look to ensure that renewing customers benefit from the same features as new customers.</p>
Does the product allow for easy switching to another provider or product?	Yes, there are no fees or exit penalties for customers moving to another provider. Cancellation rights are detailed in policy literature to keep customers informed.

<p>Will the product have a finite lifespan?</p>	<p>One Fund members can remain on cover for as long as they are an employee of the company which pays the premiums for the plan.</p>
<p>Does the product in its current form offer fair value to target customers, including those in vulnerable circumstances?</p>	<p>Based on our product review completed in May 2023, One Fund is considered to offer fair value to our members. The review considered the relationship between the overall price paid by One Fund customers and the quality of the product and service provided to them. A commentary of key metrics is shown below:</p> <ul style="list-style-type: none"> • Service levels were deemed to meet the expectations of our members in the majority of cases • High claim acceptance rates • A low number of complaints were recorded • No risk reports were recorded • Distribution channels and arrangements were considered suitable for the target market • The relationship between the price paid by customers and the overall claims, expenses, operational and distribution costs to The Exeter to offer the product was considered reasonable. Costs were therefore deemed to be justifiable and compatible with the needs of target customers. <p>We continue to review the suitability of our products and services for customers that find themselves in vulnerable circumstances. Our approach is detailed in our Vulnerable Customers Charter, available at https://www.the-exeter.com/vulnerable-customers-charter/. Our teams receive training to spot and deal with vulnerability and ensure we act to deliver good outcomes to all our members.</p>
<p>Were there any adverse findings in this assessment?</p>	<p>Despite high claim acceptance rates, a significant proportion (49%) of those that were not accepted were categorised as ‘other’, which does not provide satisfactory reasoning behind the decisions.</p>
<p>If so, are any mitigating actions in place to prevent foreseeable harm to customers?</p>	<p>To help improve customer outcomes, a recommendation was made to explore the categorisation of claims decisions.</p>
<p>Is differential pricing used on this product?</p>	<p>No differential pricing is used on One Fund.</p>

<p>Is there another product offered which offers similar benefits for a lower cost?</p>	<p>No – One Fund is our only cash plan product available to new customers.</p>
<p>What is the impact of distribution arrangements on the value of the product?</p>	<p>A commission payment is made by The Exeter to the distributor where a sale is made by an intermediary. This is generally made at both point of sale and renewal. Commission payments are taken into account when deriving premiums and are paid at a market-competitive rate. The distribution channels and arrangements for One Fund were considered suitable for the target market and were not deemed to damage intended product value.</p>
<p>How are distribution arrangements assessed to ensure ongoing value of the product?</p>	<p>We have a designated framework for monitoring distribution arrangements. The framework aims to ensure the best possible customer outcome by analysing and discussing the quality of business written by advisers, broken down into multiple areas including lapses, claims, take-up rates and commission exposure. Complaints information also feeds into this to monitor the suitability of advice.</p> <p>To support advisers in their recommendations, we provide ongoing product training via our distribution team.</p>

The legal blurb

The Exeter is a trading name of Exeter Friendly Society Limited, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Register number 205309) and is incorporated under the Friendly Societies Act 1992 Register No. 91F with its registered office at Lakeside House, Emperor Way, Exeter, England EX1 3FD.

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