

MEMORANDUM AND RULE AMENDMENT – PROPOSED BY THE BOARD OF DIRECTORS

The Board of Directors is proposing amendments to the Society’s Memorandum & Rules to enable the Society to offer different products, each on a flat rate basis.

The proposed amendments are as follows:

Memorandum

Current wording:

3. PURPOSES

The purposes of the Society are:

- 3.1 the relief or maintenance of Members and their nominees during sickness, infirmity, disability, or any medical condition, by the provision of benefits including surgical and medical treatment, nursing care and otherwise on a discretionary basis or by effecting and carrying out contracts, funded by voluntary contributions on a flat rate basis with or without donations, and subject at all times to the limitations set out in Heads C & D of Schedule 2 of the Act.

Proposed amendment:

Delete *‘on a discretionary basis or by effecting and carrying out contracts, funded by voluntary contributions on a flat rate basis with or without donations, and subject at all times to the limitations set out in Heads C & D of Schedule 2 of the Act.’*

and replace with

‘funded by voluntary contributions either:

3.1.1 on a discretionary basis, or

3.1.2 by effecting and carrying out contracts on a flat rate basis

with or without donations, and subject at all times to the limitations set out in Heads C & D of Schedule 2 of the Act.’

Proposed wording:

3. PURPOSES

- 3.1 the relief or maintenance of Members and their nominees during sickness, infirmity, disability, or any medical condition by the provision of benefits including surgical and medical treatment, nursing care and otherwise-funded by voluntary contributions either:
 - 3.1.1 on a discretionary basis, or
 - 3.1.2 by effecting and carrying out contracts on a flat rate basiswith or without donations, and subject at all times to the limitations set out in Heads C & D of Schedule 2 of the Act.

This amendment will clarify that ‘flat rate basis’ applies only to the Society’s contractual benefit (treatment for tuberculosis) and would enable some flexibility of product design, provided the tuberculosis treatment element is always costed at the same ‘flat rate’.

Rule 1. ‘Interpretation’

Proposed amendment:

Insert the following new definitions:

1. INTERPRETATION

- | | | |
|--------|--------------------------------|--|
| 1.2.43 | Product | A single benefit or a combination of the benefits outlined in Rule 9. |
| 1.2.44 | Regulations for Benefit | For the purposes of the Act a document providing the terms and conditions relating to a Product. |

The new definition regarding 'Product' will enable products of varying benefits.

The new definition regarding 'Regulations for Benefit' will mean that there will be a document for each product that provides details of the product benefits, information on eligibility for accessing the benefits and details on how to access the benefits. This will be the equivalent of the 'Your Guide to Benenden Healthcare' for each product offered by Benenden Health.

Rule 6. Scale of Contributions

Current wording:

6. SCALE OF CONTRIBUTIONS

- 6.1 The monthly contribution per head payable by or on behalf of a Member or on behalf of each Nominee shall be such sum as shall be determined by the Board, following a timetabled period of detailed and meaningful consultation at meeting events with elected Member representatives.

Proposed amendment:

After 'payable' insert '*for each Product offered by The Society*'

Proposed wording:

6. SCALE OF CONTRIBUTIONS

- 6.1 The monthly contribution per head payable for each Product offered by The Society by or on behalf of a Member or on behalf of each Nominee shall be such sum as shall be determined by the Board, following a timetabled period of detailed and meaningful consultation at meeting events with elected Member representatives.

This addition enables different pricing for each product offered by Benenden Health.

Rule 8. Non-Payment of Contributions

Current wording:

8. NON-PAYMENT OF CONTRIBUTIONS

- 8.2 Payment of contributions for a Member and any Nominees of that Member shall be waived for any period that such Member is absent without pay from employment on authorised sick leave from any cause.

Proposed amendment:

After 'Member' delete '*shall be waived for any period that such member is absent without pay from employment on authorised sick leave from any cause*' and replace with '*may be waived by the Board in circumstances specified in the Regulations for Benefit*'.

Proposed wording:

8. NON-PAYMENT OF CONTRIBUTIONS

- 8.2 Payment of contributions for a Member and any Nominees of that Member may be waived by the Board in circumstances specified in the Regulations for Benefit.

This amendment enables flexibility for the Board to offer payment holidays and to offer a zero Contribution Rate to support discounts for groups of members.

RATIONALE FOR THE PROPOSAL

Throughout much of its history, membership of the Society has been based on a single product at a single flat rate. However, keeping the Society financially sustainable within this approach is becoming increasingly difficult.

The cost of meeting the demand for care is rising sharply. Nearly 67% of our membership (excluding corporate schemes) are aged 50 and over. This is where we see the highest claims costs and the largest increase in demand for services. The contribution rate increase to £15.50 in April 2024 reflects this.

Through investment in brand (including our partnership with Channel 4) and digital development, the Society has sought to attract and engage with a younger demographic. Currently, just over 40% of new joiners (excluding corporate schemes) are under the age of 50. This is an improvement on the past but still means that member growth is largely occurring through groups who need us most and therefore cost more to the Society.

Our Board of Directors has been looking into offering greater flexibility over pricing, including offering additional flat rated products. This is a key step in managing the sustainability of the Society in its highly competitive environment.

Corporate membership is becoming increasingly important because corporate members are, on average, younger and have lower claim costs.

In the corporate market, the Society has seen significant success, with record levels of recruitment and nearly 75% of new corporate members being under 50. In 2023, we have grown our corporate schemes by 25% to nearly 75k members, but this still only represents just over 8% of the total membership.

There is a significant opportunity in the corporate healthcare market. Over 80% of UK employees have no healthcare product. It is important that the Society continues to make our product attractive to corporate clients, but this is hampered by needing to increase our Contribution Rate to meet the rising demand for care for our highest claiming member groups. The ability to charge a lower contribution rate for corporate schemes is increasingly important.

Families are difficult to attract into Benenden Health membership because a single product at a single flat rate means we cannot provide a standalone family product. Children of any age are required to pay the same contribution rate level as an adult. Yet there is little incentive for children to access the Society's product, with the overwhelming majority of services aimed at adults. Children currently account for only 4.5% of our total membership.

Our competitors have no such problem in packaging a product specifically designed for families, even if that is limited to discounts for children or only charging for the first child in a family.

The Board is seeking to propose a rule amendment to Conference 2024 to provide the Society with the option to offer different products at different prices to different member groups. The Board's view is that this should be limited to two aspects:

- the ability to charge a lower contribution rate for corporate schemes
- to charge a lower average rate for a family group

In summary, the proposal recognises that corporate members and families provide our greatest opportunity for sustainable membership growth for the benefit of all members. The flexibility of providing this change is expected to be funded by extra membership growth from these groups.

This simple price differentiation approach will support the sustainability of the Society while maintaining its ethos of providing affordable healthcare for everyone. This proposal will support:

- attracting and retaining lower claiming membership groups which helps manage the overall costs of the Society
- increasing our scale to ensure the product remains low cost for all our members
- continued growth amongst groups where demand for care is high

In developing these proposed changes, we have consulted with the Member Council to ensure that member representatives have been able to contribute to the proposal. The view of the Member Council is detailed below.