

Health statistics suggest many more might qualify for increased income from their pension funds

- **55% to 65% might have conditions to boost income for life**
 - **Majority don't even know**

After a week in which consultant Towers Watson data showed that 12% of all annuities purchased are enhanced, Just Retirement, the market leading enhanced annuity provider, claims that data on lifestyle and health suggest that a much larger number could qualify for annuities that provide a significant boost to income throughout retirement.

Just Retirement has reviewed available data from a range of sources that, it claims, indicate between an estimated 55% and 65% of those retiring might have conditions that qualify them for an enhanced or impaired life annuity.

The General Lifestyle Survey 2008 shows that the proportion of people reporting long-standing illness rises from 39% for those aged between 45 and 64 to 67% for those aged 75 or above. A high proportion of the conditions reported are those that count for an enhancement, either on their own or in combination.

Nigel Barlow, Head of Research at Just Retirement, says:

“The General Lifestyle Survey, for those reporting a long-standing illness suggests that there are many people around the age of retirement who should be able to increase their income simply by completing a medical questionnaire and shopping around in the annuity market. According to the survey, 56% of people aged between 65 and 74 report a long-standing illness and 33% report a limiting long-standing illness. The sophistication of underwriting by enhanced annuity providers has improved dramatically over the past 6 or 7 years to take into account more combinations and lower levels of conditions. Many of these people might now qualify if only they knew about it.”

Statistics from a range of sources show a high prevalence of lifestyle and medical conditions around between the ages of 55 to 74.

The prevalence of smoking in the older population has declined to around 12% but the prevalence of high alcohol consumption and obesity is surprisingly high. It is frequently not recognised that high levels of blood pressure, requiring medication, can qualify for an enhancement on their own but even lower levels, when taken together with other lifestyle or medical conditions can increase the enhancement in income received.

Over 60% of males aged 65 to 74 have raised blood pressure but a significant proportion will not qualify on the strength of high blood pressure alone. Similar considerations apply to the level of raised cholesterol, alcohol consumption and raised BMI for obesity. These factors have been allowed for in Just Retirement's estimates.

As far as medical conditions are concerned, those who have suffered from cancer, ischaemic heart disease or a heart attack may already be aware that the seriousness of the condition could make a difference to their income, even if these conditions occurred some time ago, but many who live with

diabetes, for example, may just accept it as part of life without realising they may be able to obtain an enhancement.

Many mild or more serious medical conditions are associated with particular lifestyle factors, such as smoking or drinking and, to ensure they get the best enhancement possible, individuals should ensure they declare any medical history to the provider or their adviser. Over 1,500 conditions count towards an enhancement. In this respect, annuities are unlike other life assurance products, such as life assurance or critical illness cover in that the presence of a condition results in an improvement in terms rather than a higher premium.

Just Retirement's own customer data shows, for example, that of those rated for medical conditions, the following proportions also smoked:

- 11% of those rated due to heart disease, IHD stroke
- 14% of those with respiratory conditions
- 39% of those with very high alcohol consumption
- 16% of those with arthritis

Nigel Barlow continues:

"While the smoker annuity is well known, many may still not be aware of the effect that high alcohol consumption, obesity, high blood pressure and high cholesterol can have on them. It is obviously better from a general perspective to try to be as healthy as possible and to avoid these things altogether. We would recommend that people seek help with any of these factors and are aware of the health issues they can cause. If any of the factors are present at retirement, however, an enhanced annuity takes into account the effects and pays out an increased income to recognise this. Enhancements are available based on the health of the annuitant or their spouse, so an even higher proportion of joint life cases could qualify."

To ease the process and help individuals obtain the best rate, the annuity industry has produced the Common Quotation Form which allows you to provide all the information necessary. For most people the form does not take long to complete and the benefits realised can be well worth the time spent. The Common Quotation Form is available at www.comonquotation.co.uk. It can be downloaded as a pdf and printed for completion.

At a time when pension funds have been falling and annuity rates dropping, it is important that you do everything possible to maximise the income you receive for the rest of your retirement.

Example annuity incomes from a fund of £60,000 for a male aged 65 are shown in the table below:-

Conditions	Annuity rate	% increase over best standard annuity
Standard rate	£3,824	
High blood pressure/cholesterol	£4,120	7.7%
Diabetes for 3 to 5 years treated with 1 or 2 medications	£4,500	17.7%
Stroke 3 to 5 years ago with 1 or 2 medications, high blood pressure and impaired mobility	£4,808	25.7%

The % increase is compared to the best standard rate for a person that does not declare any medical conditions and assumes they have used the Open Market Option. The total increase over the rate quoted by your existing pension provider could be considerably more.

ENDS

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Notes to Editors

Just Retirement (Holdings) plc was founded in 2004 and listed on the Alternative Investment Market (AIM) in December 2006. In November 2009, Just Retirement was acquired for £228m by Avalon Acquisitions Limited, a company backed by funds advised by Permira. The Group provides two products to those at or in retirement; enhanced annuities and equity release mortgages.

Enhanced Annuities

Annuities are contracts offered by the Group to people at retirement (annuitants) under which the Group undertakes to make a series of payments in the future in return for the immediate payment of a lump sum to the Group by the annuitant. This lump sum is provided by the annuitant's pension fund. The level of future payments is set according to the rates of return available within the capital markets and the expected longevity of the annuitant. In 2009, the total value of the annuity market in the UK was £10.8bn (source: Association of British Insurers "ABI").

Enhanced annuities are offered to people at retirement that may not live as long as average due to lifestyle (smoking, for example) or illness. Given the impact of these factors on longevity, it is possible for providers such as Just Retirement to offer "enhanced" annuity rates to those qualifying. In 2009, the total annual value of the enhanced annuity market in the UK was £1.8bn.

Just Retirement does not provide pension fund management. As such, it can only offer annuity contracts to those utilising the Open Market Option (OMO). OMO allows pension fund holders to "shop around" for an annuity rather than take that provided by the incumbent pension fund provider. At the end of 2009, the total value of annuities bought during the year using the OMO was £5.4bn.(source: Association of British Insurers "ABI")

Data sources:

- General Lifestyle Survey 2008
 - Health Survey for England 2008
 - Heartstats Stroke Statistics 2006
 - Heartstats CHD Statistics 2008
 - EUROPREVAL
 - NCCCC/RCP
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- Source data is collected for purposes other than that for which we are using it and may, therefore, not always be directly applicable to insurance or retirement income
 - Quality of data on medical conditions varies
 - Some samples are small and based on specific regions
 - Age ranges for data vary
 - Gradient for the rise in medical conditions within wide age bands is uncertain and undisclosed. In many cases progression may not be linear.

- Severity of conditions can affect eligibility. Some account of this has been taken in the estimates.
- Combination calculations are estimates based on different types of data
 - E.g. smoking-related data from NHS relies on the proportion of hospital admissions or deaths for various conditions that are believed to be smoking-related
- Proportions that could qualify should be treated as approximate
- As far as possible, estimates and calculations have erred on the side of caution to reduce the likelihood of an overestimate of the proportion that could qualify for an enhancement.