



Submitted as part of Underwriting stream



The market



Large size annuity market in the UK:

Pensions savings environment with a requirement to convert part of an individual's pension savings into a pension annuity.

Ability to "shop round" for a better annuity (the "open market option") supports a competitive market in annuities.

The proportion of consumers currently shopping around is 70%, with 46% of consumers discarding their pension provider's annuity rates and opting for better deal.



The market



Also an active immediate annuity market, a market for lifetime care annuities, and annuities are written for structured settlements.



Types of annuity underwriting



- Postcode underwriting
- Lifestyle underwriting
- Enhanced annuities
- Impaired annuities
- Care annuities



Types of annuity underwriting 2



- Postcode underwriting
 - 2-stage process to "rate" postcodes "consumer type" then analyse
- Lifestyle underwriting smoking and drinking habits, marital status, occupation, height and weight, blood pressure and cholesterol levels



Types of annuity underwriting 3



Enhanced annuities

history of medical conditions which might include a past episode of cancer, heart attack, or controlled type II diabetes

Impaired annuities

medical conditions which significantly shorten the life expectancy of the annuitant



Types of annuity underwriting 4



Care annuities

individuals normally between age 75 and 90 or persons who have started to incur long-term care costs

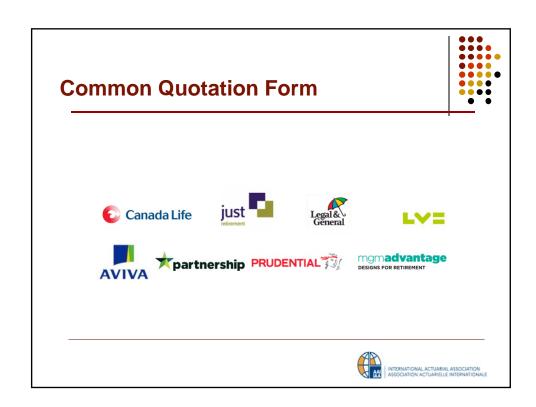


Portals



 IFAs enter annuitants' information, compare quotes and can then decide whether to apply directly for an annuity or go through the normal Common Quotation Request Form process





Expert systems



Developed and calibrated using the organisation's existing book of business.

Needs quality data

Measuring the impact on mortality experience

Valuable but – limited by only covering lives accepted, not quotes rejected



Developments in the UK and elsewhere 1



- Open market option encourages shopping around, but "enhanced annuities are currently only 12%" (Towers Watson)
- European Court has ruled that insurers can no longer consider gender when pricing insurance policies from 21 December 2012 (Test Achats)



Developments in the UK and elsewhere 2 (stop press)



Pensions savings environment with a requirement to convert part of an individual's pension savings into a pension annuity. Ability to "shop round" for a better annuity

The proportion of consumers currently shopping around is 70%, with 46% of consumers discarding their pension provider's annuity rates and opting for better deal.

Association to introduce a compulsory code of practice for insurers, requiring them to remove the annuity application forms that accompany the packs sent out to pension customers in the run up to retirement.



Developments in the UK and elsewhere 2



- UK Government proposals to fund Long-Term Care above a certain figure
- US and elsewhere?



Questions and comments?







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