
Impaired Risk Annuities Sell Well in the U.K.

By Editor Test *Tue, Aug 18, 2009*

The popularity of enhanced annuities—which provide bigger payouts for those with adverse medical conditions—is likely to grow, consultants said.

Sales of enhanced annuities in the United Kingdom—contracts known as impaired risk or medically-underwritten annuities in the U.S.—rose to £448 million (\$741 million) in the second quarter of 2009, bringing the total sales in the first half of 2009 to £891 million (\$1.36 billion), according to consultants Watson Wyatt.

First half sales would imply a projected market of close to £1.8 billion in 2009, up from record sales in 2008 of £1.44 billion (\$2.39 billion) and up from only £420 million (\$695 million) in 2001. Enhanced annuities, sometimes known in the U.K. as impaired life annuities, make up close to 30% of all retail annuities sold in the UK.

Enhanced Annuity Sales, UK 2001-2008

2001	£419.6m (\$695m)
2002	£651.2m (\$1.08b)
2003	£697.6m (\$1.15b)
2004	£593.4m (\$981m)
2005	£638.7m (\$1.06b)
2006	£815.9m (\$1.35b)
2007	£1,095.1m (\$1.81b)
2008	£1,444.6m (\$2.39 b)

The growing popularity of enhanced annuities—which provide bigger pensions for those with serious medical conditions or with negative lifestyle factors such as weight, smoking, occupation and geographical location—is likely to continue, the consultants said.

“The continued growth of the enhanced annuity market means more consumers are benefiting from higher pensions incomes because their medical condition or lifestyle has been assessed and a lower than average expectation of life anticipated,” said Andy Sanders, a senior consultant at Watson Wyatt.

“As the enhanced annuity market grows however, there are implications for the ‘pool’ of lives that do not qualify,” he added. “This ‘pool’ of lives will be increasingly healthier and have longer expectations of life that need to be reflected in reductions to the level of pensions income that can be offered.”

Enhanced annuities were first introduced in the UK in 1995 and have gained a substantial market share of all annuities sold. They include: annuities enhanced for serious medical conditions; annuities for smokers; and annuities enhanced as a result of lifestyle factors such as weight, occupation or geographical location.

Enhanced annuities are currently offered by eleven providers: Axa, Canada Life, Just Retirement, Legal & General, LV=, MGM Advantage, Norwich Union, Partnership, Prudential plc, Reliance Mutual and Scottish Widows.

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