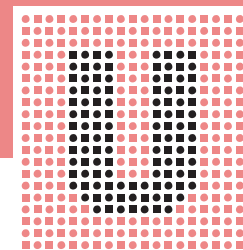


THINK

A FRESH PERSPECTIVE



LET'S GET PERSONAL

THE POWER OF MODERN UNDERWRITING

SHAPING RETIREMENT IN WAYS YOU CAN'T PREDICT

SUMMARY BOX

- Whether it be guaranteed income for life (GifL), provided by an annuity, managing their drawdown portfolio or care planning. New thinking and new systems mean the criteria for modern underwriting are now much broader, and the idea of whether someone 'qualifies' for an enhancement is becoming outdated.
- The reality is that everyone in or at retirement will have their own personalised longevity curve. Everyone has a height and weight measure, and a postcode. With these two things alone, a GifL rate can be personalised. Even looking at traditional medical conditions often thought to lead to 'poor health.' It's the more common conditions such as diabetes, asthma and COPD (Chronic Obstructive Pulmonary Disease) that dominate.
- We demonstrate how a client's marital status, height and weight and alcohol consumption will provide them with their own specific longevity curve. This may make a difference to how they approach their retirement decisions.

For retirement, underwriting only seems to get a look in as a necessary process if a client might qualify for a rate uplift to a GifL, provided by an annuity.

Underwriting, normally associated with increasing rates for Guaranteed Income for Life (GifL), provided by an annuity, has the power to impact on almost every aspect of a client's retirement plan. Whether it be GifL, managing their drawdown portfolio or care planning. New thinking and new systems mean the criteria for modern underwriting are now much broader, and the idea of whether someone 'qualifies' for an enhancement is becoming outdated.

It's time to ditch the idea of 'enhanced' or 'impaired' annuities. Ditch the idea of 'qualifying'. Instead, it's time to start thinking of real personalisation for clients. Not just for a GifL, but how it can further shape an individual's retirement plans on a larger scale.

The reality, certainly at Just, is that everyone in or at retirement will have their own personalised longevity curve. Everyone has a height and weight measure, and a postcode. With these two things alone, a GifL rate can be personalised. And we haven't even looked at health yet.

When retirees are underwritten, it's the seemingly less significant lifestyle conditions which can be overlooked. Someone doesn't necessarily have to be in ill health. For example, height and weight, blood pressure, cholesterol levels, alcohol intake, and smoking can all lead to a personalised income rate. These are the sort of things that most people can identify with in some way.

Even looking at traditional medical conditions often thought to lead to 'poor health', it's the more common conditions such as diabetes, asthma and COPD (Chronic Obstructive Pulmonary Disease) that dominate.

This tells us the number of people who can benefit from an increase GifL rate is significantly higher than currently seen in the industry. It also shows us that trying to second guess if someone is in poor enough health to pursue a personalised rate is becoming increasingly difficult.

For example, you might have two clients who are the same age at 65, and are both 6ft tall. Neither of them are in poor health. In fact they jogged all the way to the office.

The first client is married, weighs 14 stone, and drinks 7 units (roughly 3-4 pints) per week. **The GifL income they get is £4,775.**

The second client is divorced, they weigh less at 10 stone, and drink more at 14 units (about 7 pints) a week.

The second client gets a GifL income of £5,469.
So, £694 a year difference.

Yet neither of them are in poor health.

The question here is how many advisers or clients would have looked at both examples and thought of a standard GifL?

Don't worry, this is completely understandable. It's exactly what we're seeking to challenge.

Each client will have their own specific longevity curve. This may make such a difference to how they approach their retirement decisions.

Advice process

So where do we go from here? Well for advisers, the change has already started, with most GifL quotes already including a postcode. However, there's still further to go before every client can expect full personalisation. If every retiree is underwritten, even if they insist they're in good health, then there's likely to be something that can be used to provide a better than standard rate. Even if it's simply their height and weight and where they live. Don't forget this doesn't always mean overweight, it can also mean underweight.

Embedding the idea of underwriting every retirement client into an already established advice process could meet with resistance. But maybe it's time to consider this another way. Can any adviser afford not to underwrite every retirement client?

Professional indemnity insurance (PII) is a safety net that every firm has in place, along with a robust compliance process and advice protocols. PII costs can be sensitive to any potential increase in complaints activity in the industry, or where the FCA shows particular interest.

Perhaps embedding underwriting into the retirement advice and review process should be seen as an opportunity to ensure that the adviser, firm and client are protected now, and in the future.

Small changes can make a difference. Asking your client to provide their prescription is always useful to underwriters. Just having a list of medication gives a good idea of the types of conditions they're suffering from.

Another practice that could prove beneficial is to suggest your client has a GP health check-up, maybe a few months before retirement and your meeting. It might sound obvious, but if they haven't seen a doctor in a while, then there could be undiagnosed conditions.

Although we advocate completion of the Retirement Health Form in every case, it may also be worth assessing if any health questions included in the firm's retirement fact find are expansive enough. Rather than a non-specific tick box, or a standard 'has your health changed?' question.

Conclusion

Underwriting has moved on, and now plays an integral part in the retirement landscape. A personalised GifL rate can affect decisions made on investment portfolios, longevity estimates, end of life care planning, death benefit planning, and of course income provision.

Ensuring health is included in each retirement interaction means every client is assured they'll be getting a bespoke income as part of a tailored retirement portfolio.

Forget 'qualifying', 'enhanced' and 'impaired'. It's time to adopt 'personalised' rates for everyone.

Tony Clark

Proposition Marketing Manager

FOR MORE INFORMATION

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* Figures are based on a starting fund value of £100,000, and are for illustration purposes only.

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