

PENSIONS
INVESTMENTS
LIFE INSURANCE



Irish Life

75 Years of
Experience

ENHANCED ANNUITIES PRODUCT GUIDE



**Source Reinsurance Group of America (RGA), based on UK annuity market statistics.*

AN INTRODUCTION TO ENHANCED ANNUITIES

In the past, men and women within the same age category paid the same amount to buy a certain income in retirement, regardless of their health and medical history. Under the recent EU Gender Directive, men and women now have to pay the same rate, and age is now the only factor that is typically used in Ireland to set standard annuity prices.

However, other life insurance products carefully assess the health of the person applying before confirming terms. For instance, someone applying for a Term Assurance plan has to complete a thorough underwriting process, the outcome of which may be to accept, decline or add a loaded premium.

Irish Life believes the same logic should apply to annuities. An **Enhanced Annuity** is a way of providing an income in retirement taking into account the individual health and lifestyle of the person retiring. In a sense this is only fair: people in poorer health pay more for all other forms of insurance over their lifetime and this slightly tips the scales back in their favour.

Until now, annuities may have been considered bad value for money for those in poor health, as insurance companies assumed normal health and full lifespan. An **Enhanced Annuity** changes this as Irish Life will assess the health of the individual and quote an annuity cost appropriate to his or her expected future lifespan. This means the argument that those in poor health are better off avoiding annuities has to be challenged.

WHY NOW?

Enhanced Annuities account for up to 50% of total open market annuity sales in the UK*. **Enhanced Annuities** are sometimes also called Underwritten Annuities. The product was initially developed in the UK as "impaired life annuities", where better terms were offered for serious medical conditions. Irish Life **Enhanced Annuities** cover a full range of health issues from lifestyle factors to serious medical conditions, giving great potential for those advising clients to help get the most from their retirement options.

IRISH LIFE WILL ASSESS THE RETIREE'S HEALTH TO PROVIDE AN ENHANCED ANNUITY QUOTE

We suggest you visit the Annuity Doctor. This is our on-line system to assess your client's health and allows us to decide if he or she qualifies for an enhancement.

You should advise your client that the decision to offer enhanced rates will be based on the answers they give to the health questions in Annuity Doctor. If the information they provide cannot be verified by their doctor, then Irish Life may reduce the annuity to the amount they would have received on standard terms. You should also let them know that the contract cannot be cancelled as a result of such alteration.



This system is available at www.pensionchoice.ie. Here you can run:

- Standard Annuity quotes - freely available with no log-in required
- **Enhanced Annuity** quotes - require you to log-in to input your client's medical information – these details can be stored over time

Once you are logged in you can save, retrieve and modify client information at later stages for both Standard and Enhanced Annuity quotes.

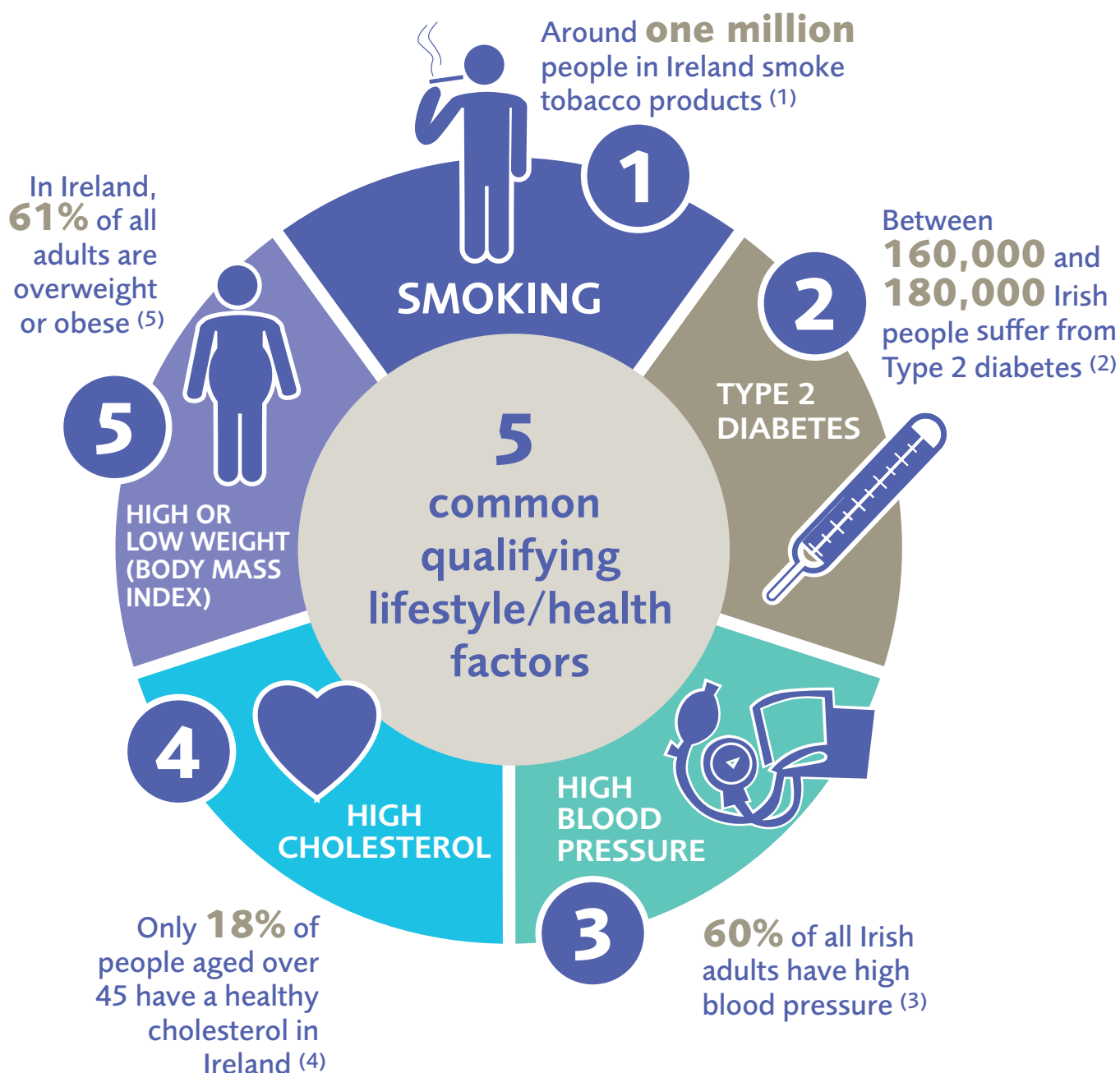
- If you are not already registered, visit www.pensionchoice.ie and you can start the registration process.
- If you are already registered with Irish Life's Pension Planet Interactive, you should be automatically registered with the annuity quotes system.



*Source Reinsurance Group of America (RGA)

CONDITIONS THAT QUALIFY

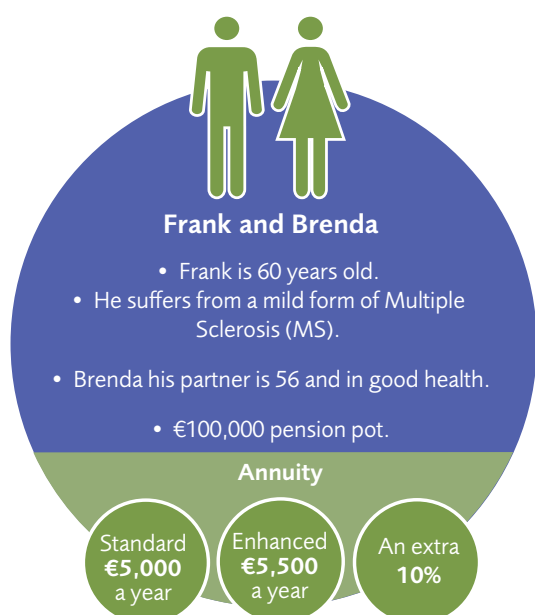
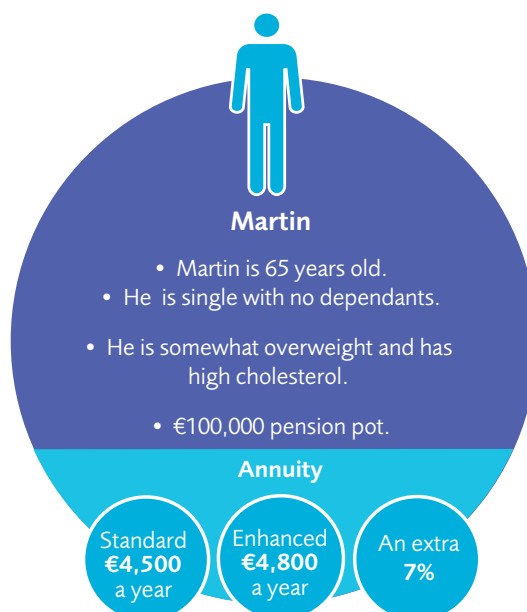
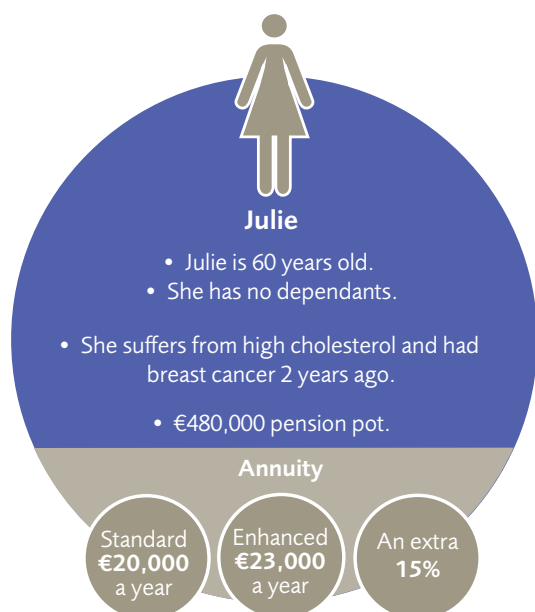
If your client smokes, is overweight, or has been diagnosed with Type 2 diabetes, high blood pressure or high cholesterol, then they could qualify for extra income from their annuity. These are only some of the more common conditions that can qualify.



REFERENCES:

- (1) Dept. of Health (2013) Healthy Ireland – A Framework for Improved Health and Wellbeing 2013 – 2025
- (2) <http://www.diabetes.ie/about-diabetes/types-of-diabetes-2/>
- (3) Croi (2011) Take Control of Your Blood Pressure
- (4) Irish Heart Foundation (2013) http://www.irishheart.ie/media/pub/ihf_mag_phase_webcopy_final.pdf
- (5) TILDA (2011) Fifty Plus in Ireland 2011 First results from the Irish Longitudinal Study on Ageing

EXAMPLES OF ENHANCEMENTS BY CONDITIONS



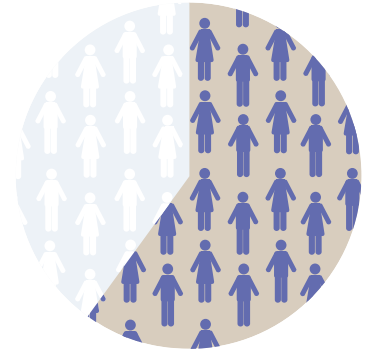
The above examples are sample enhancement rates for certain conditions as at March 2015. The enhancements detailed here are not guaranteed and will vary in the future depending upon: exact medical conditions and precise severity, exact age of both lives, interest rates and other factors. They are presented purely for illustration.

ENHANCED ANNUITIES - YOUR QUESTIONS ANSWERED

DO ONLY SERIOUS CONDITIONS GET EXTRA INCOME?

No, a very wide range of conditions attract extra income. In fact, our process means that up to 60% of retirees* may qualify for enhanced rates due to some form of health condition. These range from lifestyle factors such as a history of smoking or obesity to conditions like diabetes and high blood pressure to more serious conditions such as heart problems or even cancers. The greater the level of severity of the condition, the greater the level of enhancement. Regardless of your client's health, we strongly suggest you visit the Annuity Doctor and investigate if any enhancement is possible. By ignoring this option, you could be failing to get your client the best deal available.

**Source: Reinsurance Group of America (RGA), based on UK market figures*



IF THE IRISH LIFE ANNUITY DOCTOR SAYS MY CLIENT IS HEALTHY, DO THEY GET LESS?

No, if your client does not qualify for an enhancement they will still be eligible for a Standard Annuity (at the same rate as someone who did not enter any medical history). So there is no reason not to explore the **Enhanced Annuity** option. A trip to the Annuity Doctor won't cost you a thing.

WHO CAN APPLY FOR AN ENHANCED ANNUITY?

The **Enhanced Annuity** option is available to anybody who could buy a Standard Annuity where the first life (and second life if applicable) is aged between 50 and 75. This includes:

- People coming up to retirement and retiring on normal, early, late or ill health grounds - the product is very suitable for ill health retirements.
- People with Approved Retirement Funds (ARFs) or Approved Minimum Retirement Funds (AMRFs) looking to de-risk: for those who may have taken out an ARF or AMRF as they were in poor health and felt annuities offered poor value for money, the **Enhanced Annuity** option is now a very real choice. They will now receive additional income reflecting their health status and can de-risk from volatile investment market with a more suitable annuity. An annuity is available for such clients any time, not just at retirement.
- Irish Life annuities are available regardless of the choice of Tax Free Lump basis chosen by clients. We can offer annuities to those who use the 25% Tax Free Lump Sum basis.

IS IT OPEN TO DEFINED BENEFIT SCHEME TRUSTEES?

Yes. If the trustees of Defined Benefit schemes want to buy an annuity for a retired (or retiring) member, Irish Life will need access to the medical information for that member in the normal way and can offer an enhanced rate if appropriate. The trustees and their financial advisor will need to co-ordinate this with the member.

Irish Life will apply the same medical confirmation process as with any other case but will treat all Defined Benefit cases as requiring medical pre-verification (like large annuities).

The option is also available on scheme wind-up. Contact your Irish Life Account Manager for more information and to discuss your case.

WHAT SORT OF MEDICAL INFORMATION DOES MY CLIENT PROVIDE?

The Annuity Doctor asks a series of lifestyle and medical questions in order to determine the level of enhanced income available. These questions are interactive and are targeted at the specific conditions affecting each client. To get best value from this, we suggest your client prepares by bringing along a doctor's report and noting all the medical conditions they have and have had, the details of medication they have (including exact names and dosages) and things like latest blood pressure reading etc.

All users are first asked some basic lifestyle questions:

- ✓ Height
- ✓ Weight
- ✓ Waist Measurement
- ✓ Smoking History (date started, amount per day)
- ✓ Alcohol Consumption (units per week)



The Annuity Doctor will then go through any specific conditions/illnesses your client has been diagnosed with. The user will then be guided through a tailored questionnaire for each condition/illness presented.

If your client has been diagnosed with any illness/condition they should be prepared to provide the following information:

- Date of Diagnosis for illness/condition
- Illness Specific Classification
- Test Readings (date of test, nature of test, actual readings)
- Treatments (type of treatment, date of treatment)
- Surgeries (type of surgery, date of surgery, outcome)
- Medication (exact name, date started, dosage levels)

Where there is a history of cancer, it would be helpful also if you could obtain a copy of the consultant's report or the pathology or biopsy report, as the additional medical information may help you obtain a better annuity rate.

We strongly recommend that you answer as many of the questions presented as possible. This is in order to ensure your client avails of the best overall enhancement in income. The quotation software may allow you to skip over some questions where you do not know the answer. The level of enhancement in this case will reflect that less information has been provided.

It's also important to collect information in respect of both the annuitant and their dependant if you are seeking a joint life annuity. We strongly recommend you fill in the details on the interactive system with your client present (in person or by phone) or you fill in all the details after your client has confirmed them in writing to you.



We will use whatever information is given to us to assess suitability for an enhancement. In general, the more detailed the information we get the more likely it is we can offer an enhancement of some form.

Your client will be asked to sign a copy of the medical information used to generate the quote and confirm it is correct.

They will also have to sign that they agree to their doctor and others providing Irish Life with access to their medical records and if required, for Irish Life to conduct further medical tests. This also applies to second lives. In the case of dispute, we reserve the right to carry out smoking tests and/or independent medical assessments in the event we cannot verify the medical information (please see next page for more information).

MY CLIENT NEEDS A JOINT LIFE ANNUITY: HOW DOES THAT WORK?

We will assess the medical history for both lives and quote an enhancement based upon their joint medical history. That is, the joint life annuity will be enhanced if either life has a sufficiently significant medical history. The extra income applies to both lives (e.g. if 50% reversion is chosen the quote will enhance both first and second life incomes by the appropriate amount with 50% reversion applying). If both have a history, the enhancement will be all the bigger.

It may be possible in some circumstances that a life with minor health conditions will merit an enhancement on a single life basis but when a healthy second life is added the total impairment is diluted and no enhancement is possible on a joint life basis. The system will then quote the Standard Annuity terms for the joint life case.

WHAT OTHER OPTIONAL EXTRAS ARE AVAILABLE?

All the standard optional extras on a Standard Annuity are available. This includes:

- escalation options (both fixed and inflation linked)
- reversion to a second life and
- a minimum payment period

HOW DO IRISH LIFE VERIFY THE HEALTH INFORMATION PROVIDED?

It depends on the size of the fund.

For most funds, we are happy to confirm the details after the event. That is, we may write to the client's G.P. to confirm the medical details presented are accurate. We'll pay the doctor fees for this (however, it often helps if a client rings the doctor and asks them to give the report their quick attention).

For very large funds (currently funds over €1m but this is at our discretion), we will write to the client's doctor to confirm the details are correct before we quote a confirmed rate. The system will generate an indicative rate here for guidance only. However, based upon the information from the doctor and an assessment by an experienced underwriter, the final decision may be higher or lower than this. This allows us to offer the best rate as we have the full facts available. Once we have the doctor's response, we will issue a confirmed rate within 24 hours.

WHAT HAPPENS IF IRISH LIFE CANNOT VERIFY THE HEALTH INFORMATION PROVIDED?

In the event that the client's doctor informs us of a less serious health history than that indicated by the client, we will adjust the annuity rate down (including any over-payments to date). We also reserve the right to carry out smoking tests and independent medical assessment if there is serious conflict of information.

Some of the most common illnesses and conditions presented are:

- | | |
|---|----------------------------------|
| • Diabetes | • Stroke |
| • Hypertension/High Blood Pressure | • High Cholesterol |
| • Heart condition e.g. heart attack, angioplasty, heart bypass, atrial fibrillation etc | • Respiratory/Lung Condition |
| • Cancer | • Multiple Sclerosis |
| | • Neurological Conditions etc... |



It is important that the information provided to us is a correct and accurate reflection of the client's health. Irish Life reserve the right to reduce the client's income in retirement if the information provided is not accurate or their doctor can not verify the information (including smoking habits). In this case, we will reduce the income paid to the Standard Annuity rates that would have applied at the effective date of the original quote. The policy can not be cancelled.



MEDICAL INFORMATION REQUIRED

Below are some examples of the types of information the Annuity Doctor will seek during the **Enhanced Annuity** quote process. We strongly recommend that you answer as many of the questions as possible to help your client avail of the best overall enhancement.



EXAMPLE 1: IF YOUR CLIENT HAS BEEN DIAGNOSED WITH DIABETES

The Annuity Doctor will first ask you the date of diagnosis, whether it's type 1 or type 2. This will be followed by questions about your client's current medication(s), exact names and dosage levels. The Annuity Doctor will then ask for your client's two most recent HbA1c test readings and details of any complications or other conditions associated with diabetes.

EXAMPLE 2: IF YOUR CLIENT SMOKES AND HAS BEEN DIAGNOSED WITH HIGH CHOLESTEROL

The Annuity Doctor will first ask you about your client's current and past smoking habits, including how long they have smoked for. You will then be asked if their G.P. can verify this information. You will then be asked about their last two blood pressure and cholesterol readings (total cholesterol level plus HDL & LDL levels if known). This will be followed by questions about your client's current medication(s), exact names and dosage levels.

EXAMPLE 3: IF YOUR CLIENT HAS BEEN DIAGNOSED WITH A HEART CONDITION, E.G. HEART ATTACK, ANGIOPLASTY OR BYPASS

The Annuity Doctor will first ask you about the symptoms. You will then be asked to specify the exact conditions, the date of diagnosis, how many occurrences your client has had, whether the condition is still ongoing and any medications your client is taking to treat the condition. This will be followed by questions about any surgeries your client has had, the extent of the surgery and the date of same.

EXAMPLE 4: IF YOUR CLIENT HAS BEEN DIAGNOSED WITH CANCER

The Annuity Doctor will ask you to specify your client's type of cancer and the date of diagnosis. You will then be asked whether the tumour is benign or malignant, and how advanced the tumour was. You will be asked about the classification of the cancer (it would be helpful if your client obtained this information in advance). The Annuity Doctor will then ask about any surgeries your client has had and the date of same. You will also be asked about any subsequent treatment (chemotherapy, radiotherapy or hormone replacement therapy) and questions about your client's current medication(s), exact names and dosage levels.

Talk to your Account Manager today for more information.



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Irish Life

75 Years of Experience