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# Healthy and wealthy get lower rates

## Annuities

By Josephine Cumbo

Pre-retirees living in affluent areas are being urged to shop around for an annuity if they smoke or have a medical condition, as more pension providers introduce postcode ratings.

Canada Life this week became the latest provider to use postcode pricing on its annuity range, with better rates being offered to people who live in less affluent areas because of assumptions about their shorter life expectancy.

Annuities are bought in exchange for a lump sum and will pay a regular income for life, with the rate offered dependent on age, the pension pot size, health

and, increasingly, address.

Canada Life's postcode annuity pays up to 7 per cent less to annuitants whose postcode area is deemed to have healthier, wealthier residents.

"We think it is a fairer system than someone who lives in Chelsea with a higher life expectancy receiving the same rate as someone living in an area with a shorter life expect-

ancy," said Peter Gould of Canada Life. "Those with a shorter life expectancy aren't getting a fair deal."

Canada Life joins the Prudential, Legal & General and Aviva, which introduced postcode ratings to the market in 2008.

"These providers typically add up to 3 per cent to annuities for those living in poorer neighbourhoods," says Bob Bullivant of Annu-

ity Direct. "With Canada Life's entry to the market, we can almost certainly anticipate the vast majority of life firms discriminating by postcode."

Providers say their mapping systems allow them to be sensitive to disparities in affluence levels within suburbs. "We can look at information on a street-by-street basis, so it is not broad-brush," said Aviva.

However, individuals in poor health but not a poor area don't necessarily have to suffer a reduced retirement income because of their address. They could buy an enhanced or impaired life annuity.

"It is very important to tell your adviser of any medical conditions or if you smoke," said Nigel Barlow of Just Retirement.

### Post code annuities

	Glasgow (£)	Chelsea (£)	Difference (%)
L&G	6,819	6,471	5
Prudential	6,739	6,587	2.20
Aviva	7,198	6,939	3.60
Canada Life	7,125	6,719	5.70

\* Male aged 65, £100,000 annuity payable monthly in advance, guaranteed 10 years

Source: *Annuity Direct* and providers