

## Press Release

Following the publication of the FCA's thematic review on annuities, Adam Wrench, Head of Product and Business Development, London & Colonial says the annuities industry should be careful not to become too fixated on the initial annuity purchase rate as it's only part of the story.

"The findings of the FCA's thematic review on annuities were somewhat predictable; the market has been abuzz with talk of consumers getting a raw deal and the need for them to take advantage of the Open Market Option to boost their income.

While it would certainly benefit pensioners to shop around for the best initial rate, I do believe the review has only told part of the story. Securing a better annuity rate on purchase could help annuitants secure slightly more income over the years, but surely we should be encouraging them to look at the bigger picture? Irrespective of whether the best annuity rate is found and selected as a particular snapshot in time, there is no way of getting around the 'lifetime lock-in' nature.

In an ideal world, should annuitants not be able to renew their annuity contract on a yearly basis much like they do with car insurance? If they can find a better deal a year or two down the line, why should they not be allowed to take advantage of it? Traditional guaranteed annuities carry the risk that an individual's circumstances may change and the annuitant would not be able to benefit from these changes as they're locked in for life.

A reviewable enhanced annuity, capable of taking advantage of any increase in annuity rates as clients get older and / or their health deteriorates, may well prove to be a far better solution. It is crucial that we, as an industry, help retirees to explore all options, including enhanced and reviewable annuities which could prove much more suitable for their needs. We must not let greed or profit-driven thinking get in the way of allowing consumers to make the most of their hard-earned cash.

Today's thematic review has been a step in the right direction, but going forwards I would like to see much more debate and action around switchable and reviewable annuities if we are to really improve the market."

-ENDS-

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## Notes to Editors

### About London & Colonial

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