



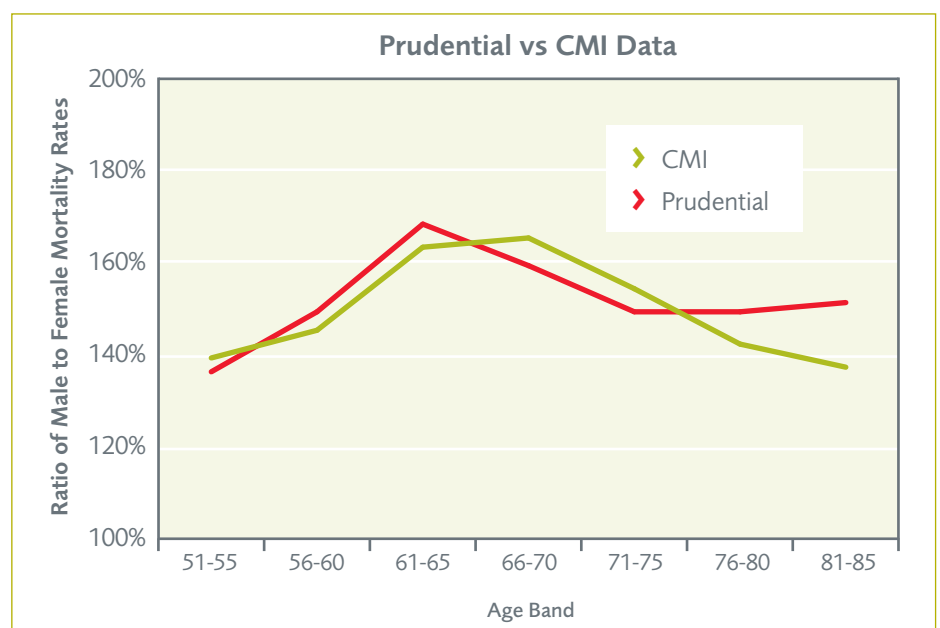
Gender as a factor in annuity rates

1. Introduction

- 1.1 From 6 April 2008, the Sex Discrimination (Amendment of Legislation) Regulations specify certain conditions under which insurance companies are allowed to differentiate premiums based on gender. One condition is that the use of gender as a factor in the assessment of risk – and therefore premium rates – for individual policies must be based on relevant and accurate statistical data. Another condition is that this data must be compiled, published and regularly updated in accordance with guidance issued by HM Treasury.
- 1.2 An insurer can publish its own data directly or it can publish indirectly as part of a collective publication scheme. Prudential has appointed the Continuous Mortality Investigation Bureau (CMI) as a data publisher on its behalf, and in doing so attested to the accuracy of the data submitted to CMI for Prudential annuity business.
- 1.3 In calculating annuity rates, Prudential, like all insurance companies, makes two principal assumptions in determining how long people will live:
- (i) Rates of current mortality: the question being addressed here is how likely is it that a policyholder will die in the year ahead?
 - (ii) Rates of future improvement in mortality rates: as is well-publicised in the media, actual mortality rates have fallen dramatically in recent years. Prudential must therefore make assumptions about how this trend is expected to continue.

2. Rates of current mortality

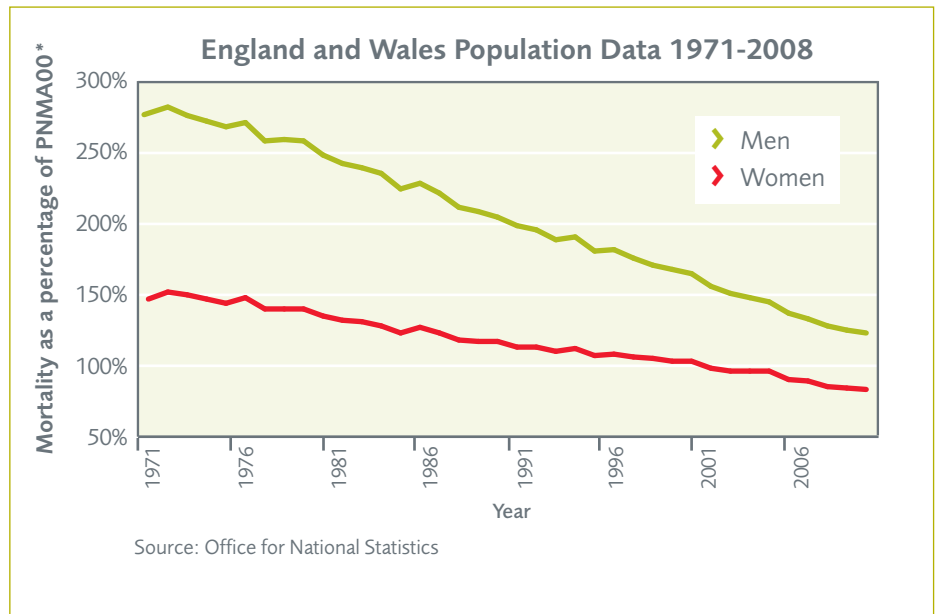
- 2.1 The differences between the opening mortality assumptions in Prudential's annuity rates for men and women are proportionate to data published by the CMI. This data and further explanation can be found at: www.actuaries.org.uk/knowledge/cmi/gender.
- 2.2 The following diagram compares Prudential to the data published by the CMI, and demonstrates this proportionality. Comparison is over the important age range for annuities; data is relatively sparse outside this age range.



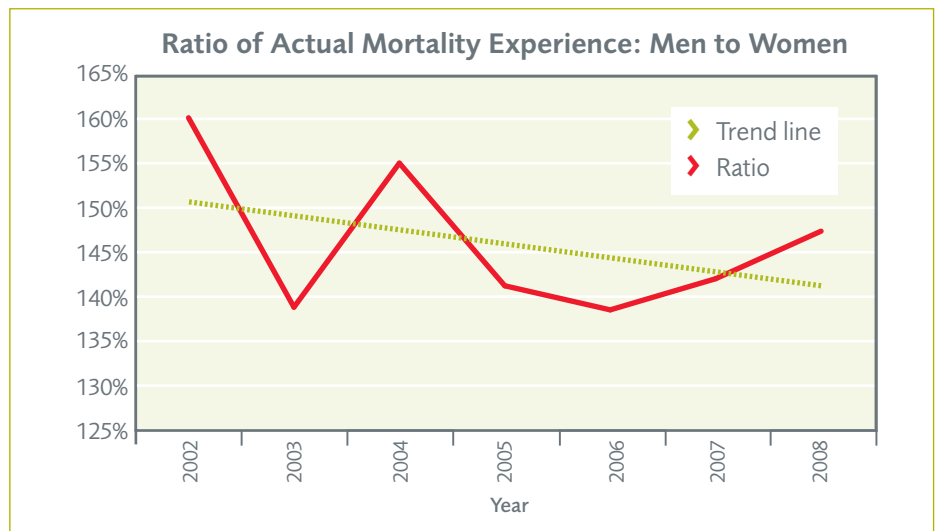
3. Rates of future improvement in mortality rates

3.1 In calculating annuity rates, Prudential makes allowances for changes in future rates of mortality. These allowances are different for men and women. This is consistent with recent observed trends in mortality experience, both in the general population and in Prudential's own customer base of annuity policyholders.

3.2 The following diagram shows mortality experience for men and women aged between 40 and 89 in England & Wales over the period 1971 to 2008. Mortality rates have improved more quickly for men than women.



3.3 The following diagram shows the ratio of the mortality experience of Prudential's male annuity policyholders to that of its female policyholders, for each year 2002 to 2008. The pattern over this period has been for the mortality rates of men to improve more quickly than for women, as is demonstrated by the downward sloping trend.



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