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Press Release

Milliman’s 2023 Variable Annuity Industry Experience Studies show policyholder behavior is highly sensitive to interest rates and benefit guarantees

Recon® platform helps annuity companies better manage risks

SEATTLE – SEPTEMBER 7, 2023 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the results of its two 2023 Variable Annuity Industry Experience Studies, which analyze policyholder behavior across 22 companies spanning 15 years.

The two studies cover surrender behavior and partial withdrawals, focusing on income utilization for guaranteed lifetime withdrawal benefit (GLWB) riders. The studies indicate that surrender behavior for contracts without income benefits are highly sensitive to changes in interest rates. Contracts with GLWBs don’t exhibit the same sensitivity to changes in interest rates. However, surrenders decrease and income utilization increases for GLWBs as the guarantee becomes more valuable.

“The performance of variable annuities is highly sensitive to capital markets movements, including the level of interest rates, and the relationship between policyholder behavior and capital markets movements compounds the risk in these products,” said Nathan Wilbanks, a consulting actuary with Milliman and co-author of the studies. “Our results and the behavioral models that we have developed in our Recon® platform – with 99.8% actual-to-expected ratio for surrenders and 100.1% for GLWB income commencement – help our annuity company clients better manage these risks in volatile times, particularly given the sharp increase in interest rates this past year.”

The studies confirmed prior evidence of lower surrender behavior for variable annuity contracts that are utilizing income. The studies also explored policyholder behavior across factors including attained age, duration, tax status, contract size, and distribution channel.

The studies incorporate seriatim data from 22 companies totaling 98 million contract-years of exposure spanning January 2008 through December 2022. The studies and Recon model development and data visualization tools are available for purchase by calling Nathan Wilbanks at (312) 577-2909 or Ben Johnson at (312) 577-2926 or visiting <https://www.milliman.com/en/Products/Life-and-Annuity-Experience-Studies>. The most recent prior studies were completed in 2022 by Milliman.

About Milliman

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information, visit milliman.com.

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