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Press Release

Milliman's 2022 Fixed Indexed 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 – DECEMBER 6, 2022 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the results of its two 2022 Fixed Indexed Annuity Industry Experience Studies, which analyze policyholder behavior across 15 companies spanning 16 years.

The two studies cover surrender behavior and partial withdrawals, including income utilization for guaranteed lifetime withdrawal benefit (GLWB) riders. The studies indicate that surrender behavior is highly sensitive to changes in interest rates and that income utilization increases as benefit rollups make the guarantee more valuable.

“The performance of fixed indexed annuities is highly sensitive to capital markets movements, including the level of interest rates, and policyholder behavior is very attuned to this,” said Timothy Paris, 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 100.5% actual-to-expected ratio for surrenders and 99.8% 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 year.”

The studies confirmed prior evidence of lower surrender behavior for fixed indexed 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 15 companies totaling 16 million contract-years of exposure spanning January 2007 through March 2022. The studies and Recon model development and data visualization tools are available for purchase by calling Nathan Wilbanks at (312) 577-2909 or Timothy Paris at (312) 873-9719 or visiting <https://www.milliman.com/en/Products/Life-and-Annuity-Experience-Studies>. The most recent prior studies were completed in 2021 by Ruark Consulting, prior to its acquisition 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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