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Press Release

Milliman’s 2023 Fixed Index Annuity Industry Experience Studies show 36% increase in exposure to rising interest rates

The studies and the included Recon® platform helps annuity companies better manage risks

SEATTLE – March 11, 2024 – Milliman, Inc., a premier global consulting and actuarial firm, today released the results of its two 2023 Fixed Indexed Annuity Industry Experience Studies. These comprehensive studies analyze policyholder behaviors, including factors such as the age when a person attains their policy, length and magnitude of the contract, methods of distribution, and tax implications.

The two studies cover surrender behavior and partial withdrawals, including income utilization for guaranteed lifetime withdrawal benefit (GLWB) riders. The research shows the highest ever exposure to rising interest rates, with a 36% increase in exposure for records positively affected by interest rate hikes since early 2022.

“Contracts that experienced increased interest rates during the surrender charge period show elevated surrender rates compared to model predictions,” said Nathan Wilbanks, FSA MAA Director of Sales and Marketing, Life and Annuity Predictive Analytics. “This is not observed for contracts past their surrender charge period, and although not definitive proof, may be evidence of an external factor like the promotion of higher bonus products made possible by the high interest rate environment affecting policyholder behavior.”

Key Findings

- Surrender rates gradually increase during the surrender charge period, spike in the year following surrender charge expiration, then settle at a lower level. In addition, GLWB riders incentivize long-term persistency, so the same pattern is evident but surrender rates are generally much lower. The spike at the end of the surrender charge period observed is about 36% on average across the industry for contracts without a GLWB, and less than half that for contracts with a GLWB.
- As GLWBs become more valuable (in-the-money), average surrender rates tend to decrease, particularly at the end of the surrender charge period where deep in-the-money surrender rates are about 10% and out-of-the-money surrender rates about 25%.



- Once GLWB income is commenced, surrender rate patterns are significantly muted and below 4% on average at all durations.

The research findings validate previous observations of decreased surrender rates in fixed indexed annuity contracts when used for income generation. The studies also highlight that contract size is a key differentiator in surrender rates, especially evident in non-GLWB contracts at the end of the surrender charge period.

These studies introduce an advanced behavioral model, integrated into Milliman's Recon® platform. This model, with a 99.9% actual-to-expected accuracy ratio, further empowers clients to conduct their own experience studies, delve into industry data, and develop tailored models.

For more information or to access the Fixed Index Annuity Industry Experience Studies, please visit <https://www.milliman.com/en/Products/Life-and-Annuity-Experience-Studies> or reach out to Nathan Wilbanks at (312) 577-2909 or Ben Johnson (312) 577-2926.

About Milliman

Milliman is among the world's largest providers of actuarial, risk management, and technology solutions. Our consulting and advanced analytics capabilities encompass 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. Visit us at milliman.com.

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