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Press Release

Milliman's 2022 Variable Annuity Industry Experience Studies show policyholder behavior is returning to pre-pandemic levels

Studies show increases in income utilization and surrender activity

SEATTLE – JULY 6, 2022 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the results of its three 2022 Variable Annuity Industry Experience Studies, which analyze policyholder behavior across 21 companies spanning 14 years.

The three studies cover surrender behavior, income utilization and partial withdrawals, and annuitization of guaranteed minimum income benefit (GMIB) riders. The studies indicate that after significant reductions in income utilization for guaranteed lifetime withdrawal benefits (GLWB) and surrender behavior following the onset of the pandemic, subsequent activity appears to be returning toward prior levels.

“The value of policyholders’ lifetime income and death benefit guarantees is highly dependent on a person’s behavior through varying market conditions across the product lifecycle, which in turn makes this a critical risk factor for annuity companies,” said Timothy Paris, a consulting actuary with Milliman and co-author of the studies. “Our results demonstrate that the pandemic had a significant impact on policyholder behavior and provides the data-driven insights that annuity companies need to set realistic assumptions in their pricing, valuation, and risk management, even in volatile market conditions.”

More broadly, the studies confirmed prior evidence of lower surrender behavior for variable annuity contracts that are utilizing income and even lower surrender behavior when the guarantees are more valuable. The studies confirmed that policyholders are very responsive to GLWB designs that provide higher benefits if they defer income commencement and this is even more pronounced as the benefits become more valuable due to market movements. The studies also explored policyholder behavior across factors including attained age, duration, tax status, contract size, type and value of guarantees, and distribution channel.

The studies incorporate seriatim data from 21 companies totaling over 96 million contract-years of exposure spanning January 2008 through December 2021. 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 by 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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