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FOR IMMEDIATE RELEASE

Press Release

Milliman survey of fixed indexed and multi-year guaranteed annuity writers finds high lapse rates in 2023, adjustments to dynamic lapse formulas

SEATTLE – FEBRUARY 29, 2024 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the findings of a new survey that explored dynamic lapse adjustments for annuity writers in the face of rising interest rates.

Milliman surveyed 13 fixed indexed annuity (FIA) and multi-year guaranteed annuity (MYGA) writers and asked them to weigh in on their actual lapse experience and expected lapse assumptions, dynamic lapse adjustments to base lapse rates (including the industry's perception of the hypothetical competitor rate), limits to the dynamic adjustments, and the likelihood they might change their methodology.

The survey responses were combined with surrender analysis using policy data collected from 16 companies between January 2007 to March 2023. Below are just a few key findings from the report:

- Development and calibration of competitor rates varies among participants and are widely used in dynamic lapse formulas
- Surrender charges are commonly incorporated while only some companies incorporate policy duration and MVAs
- All participants in our study apply limits to their dynamic lapse formulas, but these limits vary in size and duration stage of the policy
- Although company experience differed, existing dynamic lapse formulas held up relatively well against the actual experience.

“Our survey revealed high lapsation rates in general in 2023, with participants adjusting their dynamic lapse formulas to address experience over the past year,” said Nathan Wilbanks, Director of Marketing and Sales with Milliman’s Life and Annuity Predictive Analytics team. “We expect companies will continue to evolve their expectations as newer techniques – including predictive analytics – and the changing interest rate environment impacts writer experience.”

To purchase the survey report, please contact Yan Fridman at Yan.Fridman@milliman.com or visit <https://www.milliman.com/en/insight/fixed-indexed-annuity-multi-year-guaranteed-annuity-lapse-experience-study>.

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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