UNDERSTANDING VARIABLE ANNUITY POLICYHOLDER BEHAVIOR

Milliman

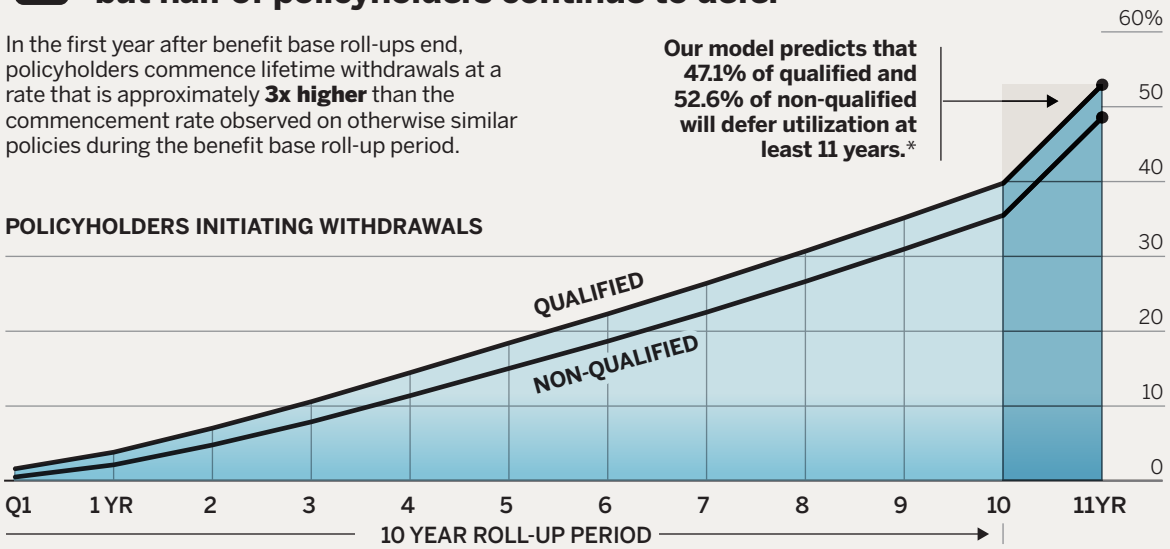
PREDICTIVE ANALYTICS PROVIDES ACTIONABLE INTEL FOR GLWB CONTRACTS

As variable annuity policies continue to mature, Milliman is using predictive analytics to help the life insurance industry understand the behavior of its customers. The infographic below depicts key insights about VA policyholder behavior over the past decade.

As roll-up period ends, GLWB commencement rate is high, but half of policyholders continue to defer

In the first year after benefit base roll-ups end, policyholders commence lifetime withdrawals at a rate that is approximately **3x higher** than the commencement rate observed on otherwise similar policies during the benefit base roll-up period.

Our model predicts that 47.1% of qualified and 52.6% of non-qualified will defer utilization at least 11 years.*



Most policyholders don't use their benefits efficiently

27.6%
Take less than the maximum allowed amount

47.7%
Withdraw in an efficient manner

24.7%
Take excess withdrawals

Data update

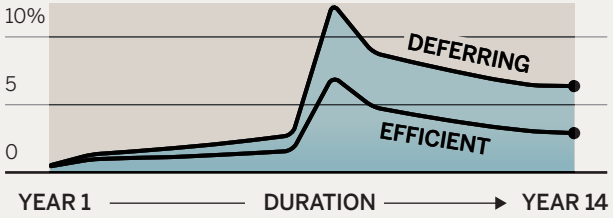
NUMBER OF POLICIES SOLD
3 MILLION

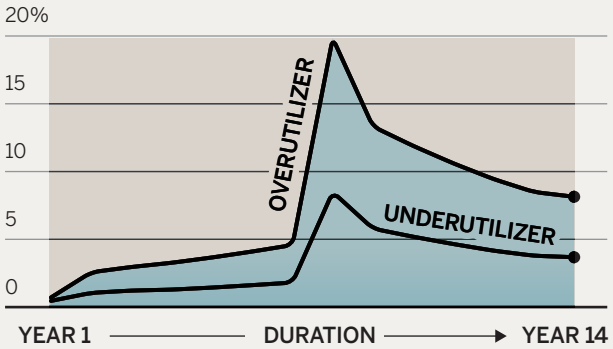
ASSETS UNDER MANAGEMENT
$335 BILLION

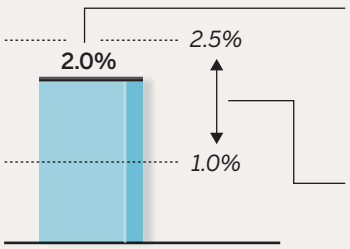
POLICIES ISSUED FROM
2003 TO 2017

Utilization behavior is predictive of future lapse behavior

Inefficient utilization behavior is associated with elevated subsequent lapse behavior, and efficient utilization behavior is associated with lower subsequent lapse behavior. These figures represent stylized policyholders who begin at-the-money and face moderate investment returns over time.







The approximate average annual lapse rates for deep in-the-money late duration policies taking efficient withdrawal.**

The individual company annual lapse range for this same segment.

* 10Y ROLL-UP, SINGLE LIFE POLICIES ISSUED TO 55-YEAR-OLD POLICYHOLDERS

**THIS RATE CONSIDERS POLICIES IN DURATION 9+ THAT ARE 150% OR MORE IN THE MONEY WHEN MEASURED WITH BB/AV METRIC