

2019-2021 Variable Annuity Contract Owner Behavior Experience Study

November 2023 (revised 1/2024)

Experience
Studies
PRO



Study Highlights

The Society of Actuaries (SOA) Research Institute's Individual Annuity Experience Committee (IAEC) and LIMRA have jointly conducted a study of Variable Annuity (VA) contract owner behavior covering calendar years 2019 through 2021.

Fifteen companies contributed data to the current study, encompassing approximately 64% of industry new sales and 61% of industry assets in force during the period of the study. The current study of 2019-2021 observation years contains about 10.5 million contract count exposed, \$1.4 trillion in contract value exposed, and over 500,000 surrenders. It also contains data on 3.7 million contract withdrawals and \$41 billion in contract value withdrawn.

The experience data analyzed for this study includes both single- and flexible-premium products, and contracts are included regardless of whether they have a guaranteed living benefit (GLB). Only contracts sold inside the U.S. and its territories are included. The experience data excludes all types of fixed indexed annuities and traditional, fixed-rate annuities, as well as any annuities sold within employer-sponsored retirement plans.

The following are some of the more notable observations from the analyses detailed in this report:

- For VA contracts with a guaranteed lifetime withdrawal benefit (GLWB) rider, the Career Agent and Independent Agent distribution channels each had 28% of the market share, followed by Independent Broker-Dealer with 22%.
- For VA contracts with a guaranteed minimum income benefit (GMIB) rider, the Direct Response and Independent Agent distribution channels accounted for 23% and 26% of the market share, respectively.
- For VA contracts with a Hybrid rider, the Independent channels (Independent Agent and Independent Broker-Dealer combined) dominated and represented just under half of the contracts in force at 46% of the market share. This was followed by Direct Response at 14%.
- For Registered Index-Linked Annuities (RILAs), more than 75% of contracts were sold through Banks or Independent Broker-Dealers.
- For VA contracts with no GLB rider, the Career Agent distribution channel had 46% of the market share, followed by Full Service National Broker-Dealers with 20%.
- For VA contracts with a GLWB rider, 36%, 38%, and 43% took withdrawals in 2019, 2020, and 2021, respectively. Of those contracts that took withdrawals, 59%, 50%, and 62% took systematic withdrawals in 2019, 2020, and 2021, respectively.

- For VA contracts with a GMIB rider, 29%, 32%, and 35% took withdrawals in 2019, 2020, and 2021, respectively. Of those contracts that took withdrawals, 57%, 64%, and 61% took systematic withdrawals in 2019, 2020, and 2021, respectively.
- For VA contracts with no GLB rider, 27%, 22%, and 26% of contracts took withdrawals in 2019, 2020, and 2021, respectively. Of those contracts that took withdrawals, 57%, 62%, and 57% took systematic withdrawals in 2019, 2020, and 2021, respectively.
- For VA contracts with a GLWB rider, on a contract value basis, the surrender rates in the years the surrender charge expired were 13.6%, 11.4%, and 12.8% in 2019, 2020, and 2021, respectively.
- For VA contracts with no GLB rider, on a contract value basis, the surrender rates in the years the surrender charge expired were 19.4%, 18.7%, and 17.3% in 2019, 2020, and 2021, respectively.
- For VA contracts with a GLWB rider, between 5% and 6% of contracts made additional premium deposits in the second contract year. The percentage of contracts adding premium decreased each contract year until contract year six and remained relatively level after that.
- For VA contracts with no GLB rider, between 5% and 7% of contracts made additional premium deposits in the second contract year. The percentage of contracts adding premium decreased after the second contract year and showed an uptick in later contract years.
- For VA contracts with a GMIB rider, the impact of attained age and ITM (in-the-moneyness) combined to give the highest percentage of contracts annuitizing at attained ages 65-74 where the ITM was 125% and over.

Detailed Study Results

Detailed results from the 2019-2021 Variable Annuity Contract Owner Behavior Study are available for purchase in the Experience Studies Pro Standard Data Package. The Standard Data Package includes a report with detailed analysis and insights and a set of data visualization dashboards where the user can drill down into the results and obtain select views of the data. Various distributions of contracts included in the study are reviewed in the detailed results along with the withdrawal activity, premium deposit experience, and surrender experience on the contracts in the study. Detailed analysis and results are provided by various subsegments of the data, including sex, attained age group, contract year, observation year, market type, rider type, contract value, distribution channel, and issue year. For more information about the Standard Data Package and how to secure it, contact StudyPro@soa.org.

Study Methodology, Reliances and Limitations

Actual study experience was determined on an age-nearest birthday basis. Withdrawal rates on a percent of contracts basis are equal to the number of contracts that took withdrawals during the calendar year divided by the number of contracts in force at the beginning of the calendar year. Withdrawal rates on a percent of contract value basis are equal to the amount of contract value withdrawn during the calendar year divided by the amount of contract value in force at the beginning of the calendar year. Exposure for the surrender rates was determined using the Balducci approach. The contract year that a surrender is assigned to is based on the actual date of surrender.

No assessment has been made concerning the applicability of this experience to other purposes. In developing this report, the SOA Research Institute and LIMRA relied upon data and information supplied by the participating company contributors. For each contributor, this information includes, but is not limited to, the data submission for contract owner behavior experience and the responses to follow-up questions. The results in the Experience Studies Pro Standard Data Package and this report are technical in nature and dependent on certain assumptions and methods. No party should rely upon these results without a thorough understanding of those assumptions and methods. Such an understanding may require consultation with qualified professionals.

List of Participating Companies

The Society of Actuaries Research Institute and LIMRA would like to thank the following 15 companies who contributed data to this study:

- AIG Companies
- Allianz Life
- CUNA Mutual/TruStage
- Equitable Financial
- Lincoln National
- MetLife
- Nassau Re
- Nationwide Life
- Protective Life
- Prudential Financial
- RiverSource/Ameriprise
- Sammons Financial
- Securian Financial
- Security Benefit Life
- Talcott Resolution

About LIMRA

Established in 1916, LIMRA is a research and professional development not-for-profit trade association for the financial services industry. More than 600 insurance and financial services organizations around the world rely on LIMRA's research and educational solutions to help them make bottom-line decisions with greater confidence. Companies look to LIMRA for its unique ability to help them understand their customers, markets, distribution channels and competitors and leverage that knowledge to develop realistic business solutions.

Visit LIMRA at www.limra.com

About The Society of Actuaries Research Institute

Serving as the research arm of the Society of Actuaries (SOA), the SOA Research Institute provides objective, data-driven research bringing together tried and true practices and future-focused approaches to address societal challenges and your business needs. The Institute provides trusted knowledge, extensive experience and new technologies to help effectively identify, predict and manage risks.

Representing the thousands of actuaries who help conduct critical research, the SOA Research Institute provides clarity and solutions on risks and societal challenges. The Institute connects actuaries, academics, employers, the insurance industry, regulators, research partners, foundations and research institutions, sponsors and non-governmental organizations, building an effective network which provides support, knowledge and expertise regarding the management of risk to benefit the industry and the public.

Managed by experienced actuaries and research experts from a broad range of industries, the SOA Research Institute creates, funds, develops and distributes research to elevate actuaries as leaders in measuring and managing risk. These efforts include studies, essay collections, webcasts, research papers, survey reports, and original research on topics impacting society.

Harnessing its peer-reviewed research, leading-edge technologies, new data tools and innovative practices, the Institute seeks to understand the underlying causes of risk and the possible outcomes. The Institute develops objective research spanning a variety of topics with its [strategic research programs](#): aging and retirement; actuarial innovation and technology; mortality and longevity; diversity, equity and inclusion; health care cost trends; and catastrophe and climate risk. The Institute has a large volume of [topical research available](#), including an expanding collection of international and market-specific research, experience studies, models and timely research.

Society of Actuaries Research Institute
475 N. Martingale Road, Suite 600
Schaumburg, Illinois 60173
www.SOA.org