

<b>Welcome</b>	Introduction	1. Buyer Profiles	2. Withdrawal Activity by Contract Year	3. Average Withdrawal Amount by Withdrawal Type	4. Average Withdrawal Amount as a Percentage of Average Benefit Base	5. Additional Premium	6. Surrender Rates by Selected Owner and Product Characteristics	7. Benefit Base and Contract Value Summary	8. Participant List
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# Variable Annuity Guaranteed Living Benefits Utilization

## 2018 Experience

### Guaranteed Minimum Income Benefits (GMIB)

A Joint Study Sponsored by the Society of Actuaries and LIMRA



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# Variable Annuity Guaranteed Living Benefits Utilization

2018 EXPERIENCE

## About the Study

**Secure Retirement Institute and Society of Actuaries Variable Annuity Guaranteed Living Benefit Utilization Study (VAGLBUS) – 2018 Experience** is an update of earlier investigations, conducted since 2006.

The study examines the GLB utilization of over 4.3 million contracts that were either issued during or in force as of 2018. Eighteen insurance companies participated in this study. These 18 companies made up 70 percent of all GLB sales in 2018 and 70 percent of GLB assets at year-end, and thus provide a substantial representation of this business.

Few product innovations have transfigured the variable annuity (VA) industry as much as guaranteed living benefits (GLBs). Evolving from simple income benefits, they are now offered in a variety of forms on the vast majority of VA products sold today.

Knowing more about benefit utilization – as well as the connection with behaviors such as persistency – can assist insurers with assessing and managing the long-term risks of these GLBs.

Companies should use the data provided in this tool as a basis for monitoring the following:

- Customer mix versus the industry
- Risks associated with providing a guarantee to younger buyers – both short- and long-term – including growth in benefit base relative to cash value, customer withdrawal deferral periods, sources of funds used to purchase the annuity, percentage of customers beginning to take withdrawals due to the required minimum distribution (RMD) rule, and the persistency of their contacts.
- Competitiveness of the maximum payout rates that are typically set by age bands.
- Customer behavior in general and how it changes the dynamics of a company's in-force book of business.

**CONFIDENTIALITY:** For industry results, confidentiality is protected with limits on filtered data. Each data point must have a minimum number of companies reporting. None of the individual companies can represent a majority of market share. Some results may not follow the trend because there is a relatively small number of contracts being reported. Hover over a data point to see how many contracts are being reported.

Click on the tabs at the top of the screen to move between pages. The buttons and menus on the right side of each screen allow you to filter results.

*Access to this information is a benefit of LIMRA and SOA membership.*

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## Buyer Profiles

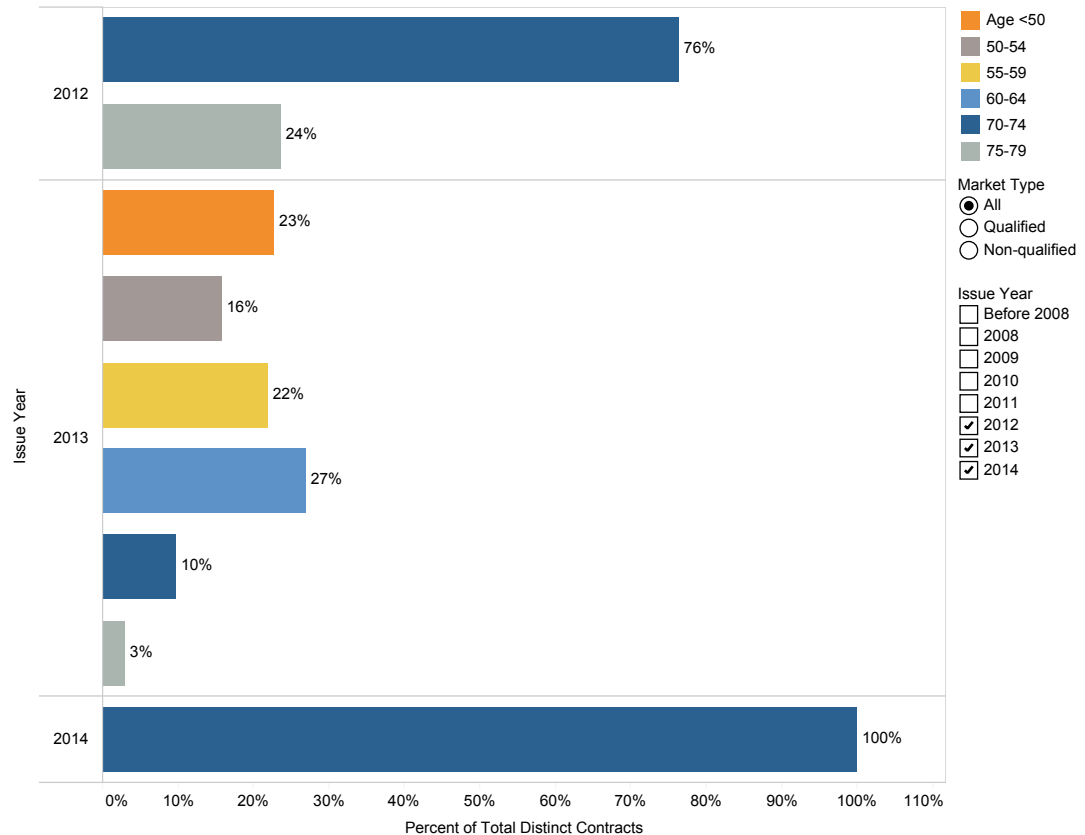
Guaranteed minimum income benefits (GMIBs) are the second most popular type of GLB in the VA market. Sales of GMIB riders have declined substantially in recent years as only a few carriers are still offering GMIB options. GMIB election rates, when any GLB was available, were at six percent for 2018. With the purchase of a GMIB, owners can receive guaranteed income at the end of a waiting period, based on annuitization of the benefit base. However, most GMIB owners have the flexibility of taking withdrawals during the waiting period without disturbing the benefit base. Feature innovation for GMIBs has incorporated withdrawals similar to GLWBs, blurring the distinction between GLWBs and GMIBs.

Nearly all GMIBs have waiting periods of 7 to 10 years or more before the contract can be annuitized. During the waiting period, annuitizations are not subject to the guarantees specified within the GMIBs.

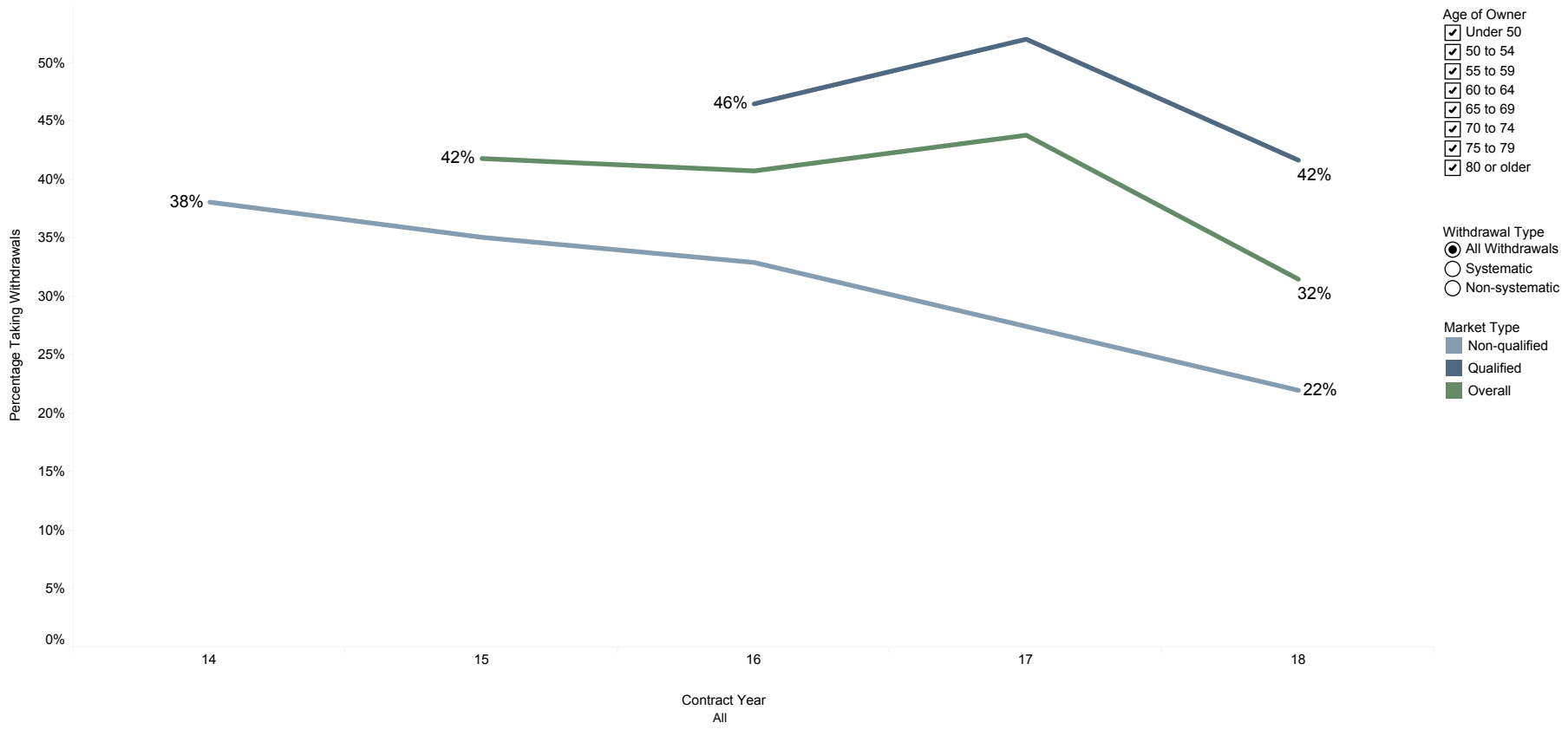
Note that not all issue year results are presented here due to confidentiality standards for showing aggregated industry data.

Companies should use the data provided throughout this dashboard as a basis for examining:

- Whether their customer mix deviates from that of the industry
- How they manage the risks associated with providing a guarantee to younger buyers —both short- and long-term (A particular company's risk in providing guarantees may stem from issues such as potential growth in benefit bases, depending on customers' actual deferral periods before taking withdrawals; the source of funds used to purchase the annuity; what percentage of customers begin to take withdrawals due to the required minimum distribution (RMD) rule; and the persistency of their contracts.)



### Withdrawal Activity by Contract Year



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## Average Withdrawal Amount by Withdrawal Type

### Average Withdrawal Amount

#### Systematic

#### Non-systematic

	Mean		Median			Mean		Median	
	Non-qualified	Qualified	Non-qualified	Qualified		Non-qualified	Qualified	Non-qualified	Qualified
Under age 60	16,292	12,028	9,392	8,399	Under age 60	34,761	26,920	13,000	12,000
Age 60-69	12,129	12,143	7,326	8,690	Age 60-69	19,157	17,768	8,743	9,777
Age 70 or older	9,824	9,207	6,132	6,012	Age 70 or older	16,707	11,679	8,381	6,667

### Average Contract Value EOY

#### Systematic

#### Non-systematic

	Mean		Median			Mean		Median	
	Non-qualified	Qualified	Non-qualified	Qualified		Non-qualified	Qualified	Non-qualified	Qualified
Under age 60	151,014	149,330	51,363	84,996	Under age 60	113,108	83,941	49,272	44,293
Age 60-69	98,598	102,254	39,746	50,875	Age 60-69	138,129	116,081	75,778	68,633
Age 70 or older	73,162	75,673	30,175	36,848	Age 70 or older	108,564	93,485	58,755	50,795

The table above shows the mean and median withdrawal amount for owners who took only Systematic Withdrawal Plan (SWP) withdrawals or only occasional (non-systematic) withdrawals in 2018.

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**Average Withdrawal Amount as a Percentage of Average Benefit Base by Withdrawal Type**  
**Average Withdrawal Amount as Percentage of Benefit Base**

Systematic

Non-systematic

	Mean		Median			Mean		Median	
	Non-qualified	Qualified	Non-qualified	Qualified		Non-qualified	Non-qualified		
Under age 60	15.02%	7.49%	4.51%	4.28%	Under age 60	75.53%			12.53%
Age 70 or older	7.78%	7.33%	5.04%	4.98%					

**Average Contract Value EOY as a Percentage of Average Benefit Base**

Systematic

Non-systematic

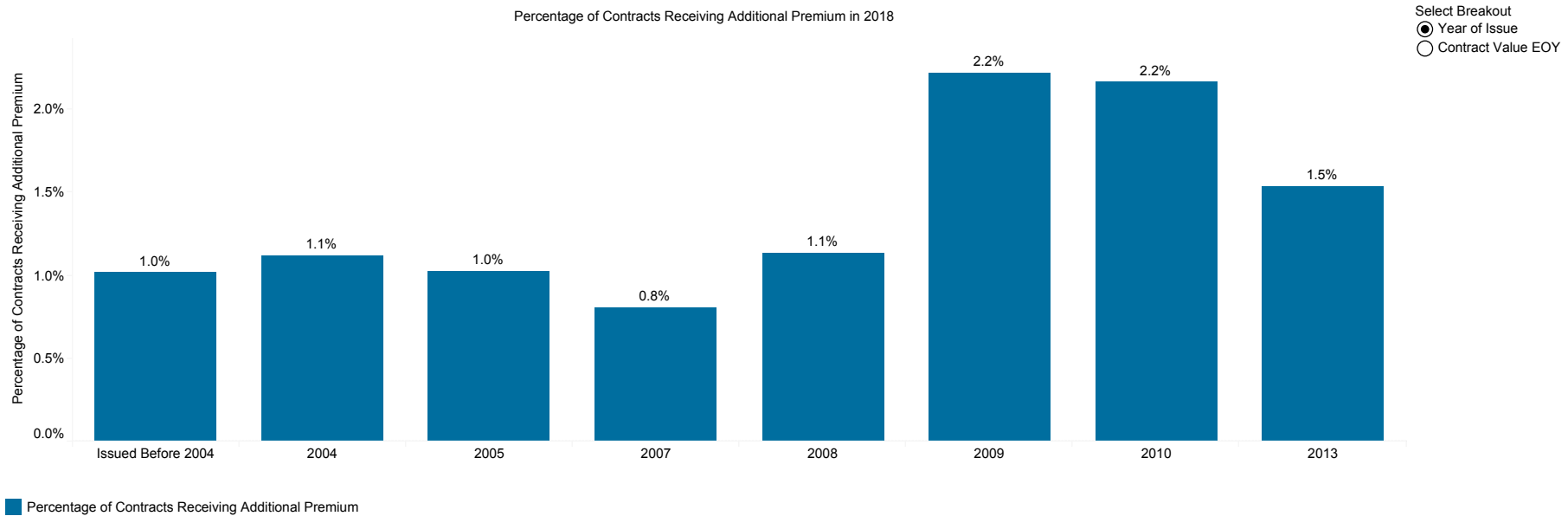
	Mean		Median			Mean		Median	
	Non-qualified	Qualified	Non-qualified	Qualified		Non-qualified	Non-qualified		
Under age 60	59.10%	68.12%	68.14%	75.85%	Under age 60	91.64%			78.92%
Age 70 or older	54.42%	64.64%	64.21%	68.06%					

The table above shows the mean and median withdrawal amount for owners who took only Systematic Withdrawal Plan (SWP) withdrawals or only occasional (non-systematic) withdrawals in 2018.

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## Additional Premium

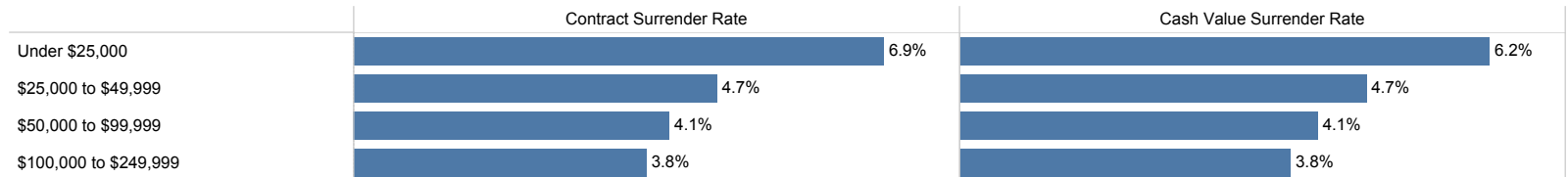
Percentage of Contracts Receiving Additional Premium in 2018



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## Surrender Rates by Selected Owner and Product Characteristics

Select Breakout  
 Contract Value BOY  
 Market Type



### Key Findings

- Larger GMIB contracts tend to have lower surrender rates than smaller contracts.
- Women were slightly more likely than men to surrender their GMIB contracts in 2018.
- B-share contracts tend to have slightly higher surrender rates than L-share contracts and non-qualified contracts had slightly higher surrender rates than qualified contracts.



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## Benefit Base and Contract Value Summary

	Benefit Base (BB)		Contract Value (CV)		CV Capped at BB	CV/BB BOY	CV/BB EOY
	BOY	BB EOY	BOY	CV EOY			
Total	\$103,790,402,552	\$106,286,703,374	\$91,823,353,053	\$81,109,057,209	\$80,466,600,160	88.5%	76.3%
Average	\$155,809	\$159,557	\$137,844	\$121,760	\$120,796	88.5%	76.3%
Median	\$96,474	\$98,509	\$85,180	\$74,985	\$74,027	88.3%	76.1%

Market Type  
 All  
 Qualified  
 Non-qualified

\* For CV/BB ratios, Cash Value is not capped at Benefit Base

Percentage of contracts where benefit base was greater than contract value:

Beginning of Year **84.9%**

End of Year **95.7%**

At the beginning-of-year (BOY), 85 percent of contracts issued before 2018 had benefit base amounts greater than their contract value. The average difference at the BOY between the benefit base and the contract value was \$18,000. By end-of-year (EOY), the percent of contracts with benefit base exceeding their cash value had increased to 96 percent. A bear market in the fourth quarter of 2018 caused contract values to decline more than ten percent for the year, but benefit bases continued to climb by two percent.

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## Participants

AIG  
Brighthouse  
CUNA Mutual  
Equitable Financial  
Lincoln National  
MetLife  
Nassau Re  
Nationwide  
New York Life  
Phoenix Life  
Principal Financial  
Protective  
Prudential  
RiverSource Annuities  
Securian/Minnesota Life  
Security Benefit  
Thrivent  
Transamerica