

Behavioral Analytics Advisory Council

Revised Plans for 2020 VA Industry Studies

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When we left our previous meeting on March 23...



Market turmoil 2020:

What does it mean for annuity policyholder behavior?

VA writers should expect:

- Greater persistency overall, but elevated surrenders for at-the-money GLWB
- Greater income utilization, especially for GLWB after the deferral incentive period and “hybrid” GMIB
- Greater GMIB annuitization elections, especially on traditional “pro-rata” benefit forms

FIA writers should expect:

- Greater persistency for GLIB, and lower persistency without GLIB
- Greater income utilization for GLIB

COVID-19 impact on VA and FIA mortality:

- Will likely depend on the level of containment among the general population at retirement ages, with potential differences between those with and without living benefit guarantees



Why is this important?

Multi-trillion dollar market in US and abroad

Adverse and
volatile capital
markets

Guarantee
values increase

Surrender rates
decrease

Guaranteed
income
utilization
increases

Financial strain
for issuers and
reinsurers

Investments in risk management should be more important than ever



...subsequent discussions with most of our VA clients



We understand that you want 2 things from us in 2020

1. **Now Q2** – some type of industry data to inform your policyholder behavior assumption review process, leading into Q3-Q4 unlocking
2. **ASAP** – industry studies that include the current financial crisis, to provide context for your company's experience and fill credibility gaps



We aim to be the platform and industry benchmark
for principles-based insurance data analytics
and risk management



Revised plans for the 2020 VA industry studies

- ✓ 1. **Now (Q2)** – last year’s industry-only studies are included with purchase if you submit revised order form for the 2020 VA studies by June 30
- ✓ 2. **ASAP** – we will perform the 2020 VA studies with supplemental data through June 30 2020, target completion in November

We are mobilizing for maximum responsiveness and speed, committing our team for the entire year, so we need to advance the timing and invoice details.

After June 30, the VA studies will be subject to an additional 25% charge.

We encourage all considering VA-related purchases to do so by June 30.



What will be included in the 2020 VA studies?

Data through June 30 2020 across the industry, including deep-in-the-money sensitivities for surrenders and income utilization which are, fortunately, so rarely experienced

We all will learn a lot about recent vintage products!
Cumulatively, only 6% of deep-in-the-money experience
in last year's studies corresponded to issue years 2011+

The full pack of customized reports, industry-level studies, company-specific studies, benchmarking, and pivot table tools that you have come to expect



Timeline

Submit revised order form for the 2020 VA studies by June 30

3-5 days afterward – you will receive last year’s industry-only studies, excluding the customized reports, company-specific studies, and benchmarking that were provided to purchasers last year

7 days afterward – you will be invoiced for the 2020 VA studies

July-August – we will gather supplemental data through June 30 2020

November – target completion for the 2020 VA studies



Additional notes

VA mortality study is still available, including customized report, industry-level study, company-specific study, benchmarking, pivot table tool, and [new guarantee-specific mortality tables and durational anti-selection factors](#)

“Premium” services are the studies plus customized model development using industry data, credibility theory, and predictive analytics to quantifiably improve your models and risk profile. Brief case studies – [VA hedging effectiveness](#) and [FIA GLIB income commencement](#)

[2020 FIA studies](#) are available, along with FIA mortality study including [new mortality table and durational anti-selection factors](#)



Discussion