

Milliman updates design for the Milliman Hedge Cost Index and introduces a new variation of the index for GLWB on RILA

The VA index stands at 124 basis points and the RILA index stands at 122 basis points

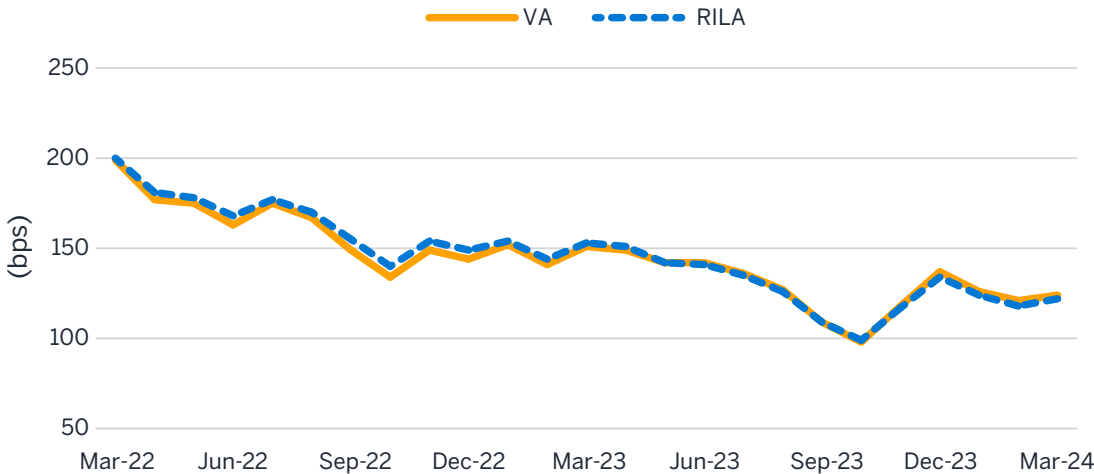
Daren Lockwood, PhD, FRM
Xiaohong Mo, FSA, MAAA, CFA



Milliman recently completed a review of the design of the Milliman Hedge Cost Index™ (MHCI) for a hypothetical guaranteed lifetime withdrawal benefit (GLWB) rider on variable annuities (VAs) and implemented some changes to align product features and assumptions with those prevalent in the marketplace. In addition, in response to the increasing popularity of registered index-linked annuities (RILAs), Milliman developed a new variation of the MHCI for GLWB on RILA alongside the existing VA GLWB index under the MHCI umbrella. Details about these updates can be found in the Index Methodology¹ document.

As of the end of March 2024, the expected hedge cost is estimated to be 124 basis points (bps) for a hypothetical GLWB on VA and 122 bps for RILA, up 3 basis points and up 4 basis points, respectively, from the previous month, driven by a decrease in long-term interest rates. The Index Methodology provides additional details about the assumptions and methodologies underlying the MHCI.

EXPECTED HEDGE COST



1 To view the Milliman Hedge Cost Index Methodology, go to: milliman.com/mhci-methodology/.

EXPECTED HEDGE COST FOR VA (BPS OF GUARANTEED WITHDRAWAL BASE)			EXPECTED HEDGE COST FOR RILA (BPS OF GUARANTEED WITHDRAWAL BASE)	
DATE	EXPECTED HEDGE COST	CHANGE FROM PRIOR MONTH	EXPECTED HEDGE COST	CHANGE FROM PRIOR MONTH
3/30/22	199		200	
4/28/22	177	(22)	181	(19)
5/27/22	175	(2)	178	(3)
6/29/22	163	(12)	168	(10)
7/28/22	175	12	177	9
8/30/22	167	(8)	170	(7)
9/29/22	149	(18)	155	(15)
10/28/22	134	(15)	140	(15)
11/29/22	149	15	154	14
12/29/22	144	(5)	149	(5)
1/30/23	152	8	154	5
2/27/23	141	(11)	144	(10)
3/30/23	151	10	153	9
4/27/23	149	(2)	151	(2)
5/30/23	142	(7)	142	(9)
6/29/23	142	0	141	(1)
7/28/23	136	(6)	135	(6)
8/30/23	127	(9)	126	(9)
9/28/23	109	(18)	109	(17)
10/30/23	98	(11)	99	(10)
11/29/23	118	20	117	18
12/28/23	137	19	134	17
1/30/24	126	(11)	124	(10)
2/28/24	121	(5)	118	(6)
3/28/24	124	3	122	4

ABOUT THE MILLIMAN HEDGE COST INDEX

The Milliman Hedge Cost Index™ (MHCI) provides the estimated hedging cost for hypothetical guaranteed lifetime withdrawal benefit (GLWB) blocks, based on product specifications and modeling assumptions as described in the MHCI Methodology document. The expected hedge cost is calculated using product features for a generic GLWB in line with product designs common in the market. Likewise, the modeling assumptions are based on typical actuarial and behavioral assumptions widely used by annuity writers in the marketplace.

Milliman conducts annual reviews of the product features and assumptions underlying the MHCI and will implement updates to the assumptions as and when appropriate to keep pace with market trends and industry practice.

The variable annuity (VA) and registered index-linked annuity (RILA) MHCI are calculated each month based on swap interest rates. In addition, the VA index assumes that 50% of investment is in a fixed target volatility option and 50% is in traditional asset allocations that depend on the risk-adjusted Milliman Guaranteed Index (MGI) volatility assumption. The underlying product for the RILA MHCI assumes a one-year index term and annual point-to-point design on the S&P 500 index; the realized volatility assumption is also based on the risk-adjusted MGI. As a result, the monthly changes in both VA and RILA expected hedge cost is primarily driven by movements in swap interest rates, with the RILA result slightly more sensitive to MGI movements. The VA index and the RILA index closely track each other over time.

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The results shown are historical, for informational purposes only, not reflective of any investment, and do not guarantee future results. Any reference to a market index is included for illustrative purposes only, as it is not possible to directly invest in an index. Indices are unmanaged, hypothetical vehicles that serve as market indicators and do not account for the deduction of management fees or transaction costs. The updated VA MHCI and the new RILA MHCI were launched on March 29, 2024. All information presented prior to the index launch date is back-filled. Back-filled performance is not actual performance, but is hypothetical. The back-filled calculations are based on the same methodology that was in effect when the index was officially launched.