

Milliman reports 4 basis points decrease in Hedge Cost Index for VA and RILA guarantees in July.

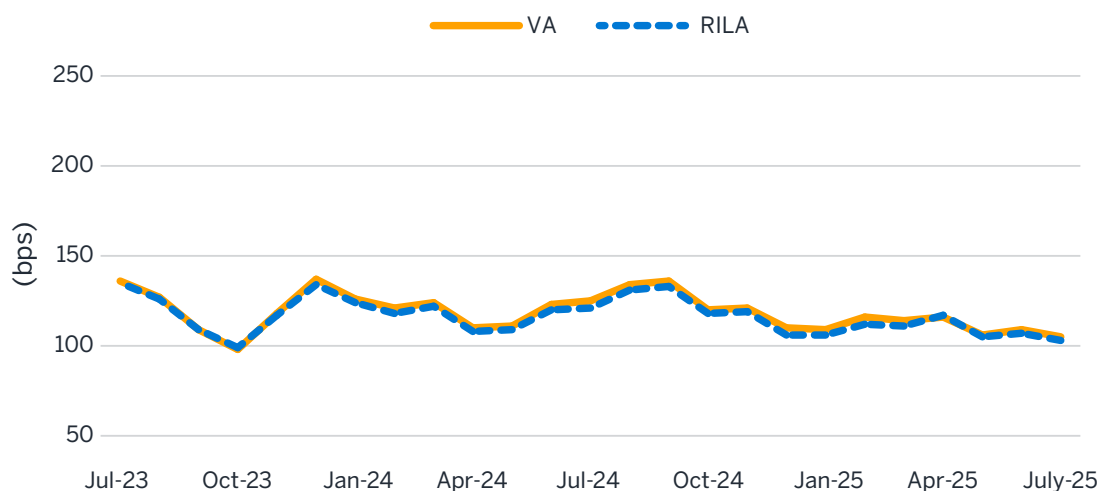
The VA index stands at 105 basis points and the RILA index stands at 103 basis points.

Daren Lockwood, PhD, FRM
Ken Qian, FSA



As of end of July 2025, the expected hedge cost is estimated to be 105 bps for a hypothetical lifetime withdrawal benefit (GLWB) on variable annuities (VA) and 103 bps for registered index-linked annuities (RILA), down 4 basis points from the previous month, driven by an increase in long-term interest rates. The Index Methodology¹ provides additional details about the assumptions and methodologies underlying the Milliman Hedge Cost Index™ (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
7/28/23	136		135	
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
4/29/24	110	(14)	108	(14)
5/30/24	111	1	109	1
6/27/24	123	12	120	11
7/30/24	125	2	121	1
8/29/24	134	9	131	10
9/27/24	136	2	133	2
10/30/24	120	(16)	118	(15)
11/27/24	121	1	119	1
12/30/24	110	(11)	106	(13)
1/30/25	109	(1)	106	0
2/27/25	116	7	112	6
3/28/25	114	(2)	111	(1)
4/29/25	116	2	117	6
5/29/25	106	(10)	105	(12)
6/27/25	109	3	107	2
7/30/25	105	(4)	103	(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 annuities (RILAs) MHCI are calculated each month based on swap interest rates. In addition, the VA index assumes 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, monthly changes in both VA and RILA expected hedge cost are 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.

Copyright © 2025 Milliman, Inc. The materials in this document represent the opinion of the authors and are not representative of the views of Milliman, Inc. Milliman does not certify the information, nor does it guarantee the accuracy and completeness of such information. Use of such information is voluntary and should not be relied upon unless an independent review of its accuracy and completeness has been performed. Users of the Hedge Cost Index should consult their own financial, accounting, and other advisors to the extent they consider necessary, and make all decisions solely based upon their own judgment and advice from their advisors. Materials may not be reproduced without the express consent of Milliman.

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 3/29/2024. 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.