

2023-2024 Fixed-Rate Deferred Annuity Surrender Study

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Study Highlights

The Society of Actuaries (SOA) Research Institute's Individual Annuity Experience Committee (IAEC) and LIMRA have jointly conducted a study of fixed-rate deferred annuity surrender experience covering calendar years 2023 and 2024. This is an update to the prior study covering calendar years 2015-2022.

Twenty-four individual companies contributed data to the current study, encompassing approximately 65% of industry new sales by premium. The current study contains about 4.8 million surrender exposure by contract count, \$612 billion surrender exposure by contract value, and over 567,000 surrenders.

The experience data analyzed for this study includes both single- and flexible-premium products, and contracts were included regardless of whether they had a guaranteed living benefit (GLB), although only about 2% of the contract exposure had a GLB. Only contracts sold inside the U.S. and its territories were included. The experience data excludes all types of fixed indexed annuities and variable 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.

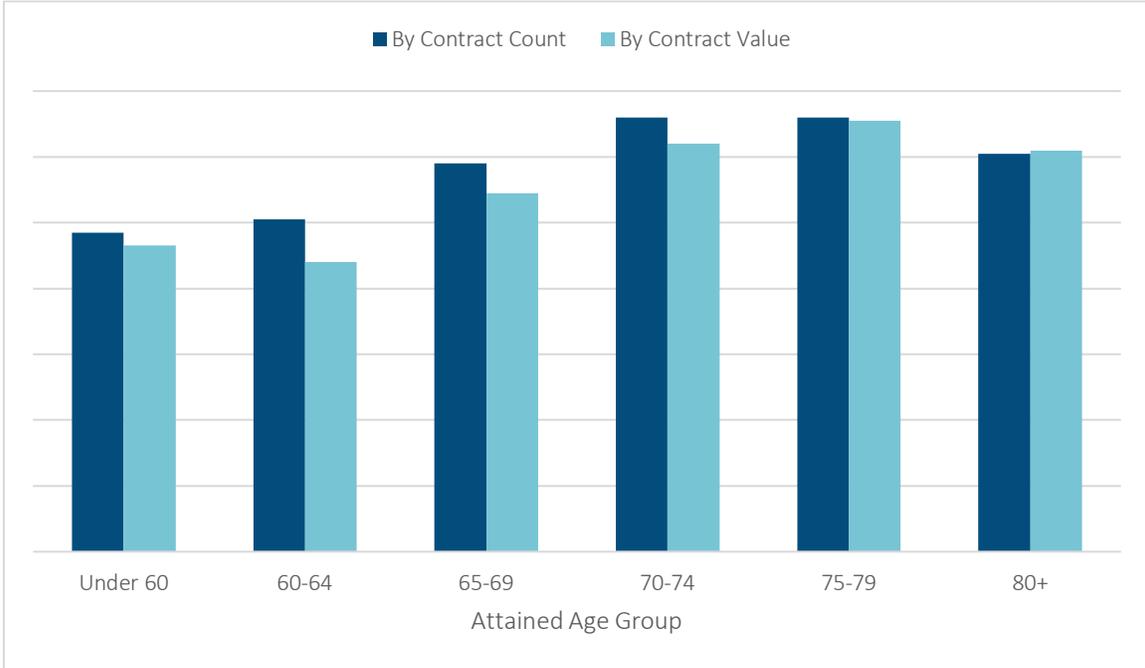
DISTRIBUTION OF CONTRACTS INCLUDED IN THE STUDY

- There was more Non-Qualified experience in the study, with 59.1% of contracts, compared to Traditional and Roth IRA experience.
- Females represented a larger percentage of the study in force by contract count than males in all market types (Traditional IRA, Non-Qualified, and Roth IRA), with females making up between 52-57% of contracts depending on market type. On a contract value basis, the opposite was true in the Traditional IRA and Non-Qualified markets.
- For the current study period, the Full Service National Broker-Dealer distribution channel had the largest percentage of contracts in the FRDA market for Traditional IRA market type, while the Bank/S&L distribution channel had the largest percentage of contracts in the Non-Qualified market type.

SURRENDER ACTIVITY OVERALL

- The surrender rates by both contract count and contract value were slightly increasing with attained age from groups 60-64 to 75-79. However, the pattern by attained age group did vary depending on whether a surrender charge was present.

Figure 1
SURRENDER RATES BY CONTRACT COUNT AND CONTRACT VALUE BY ATTAINED AGE GROUP



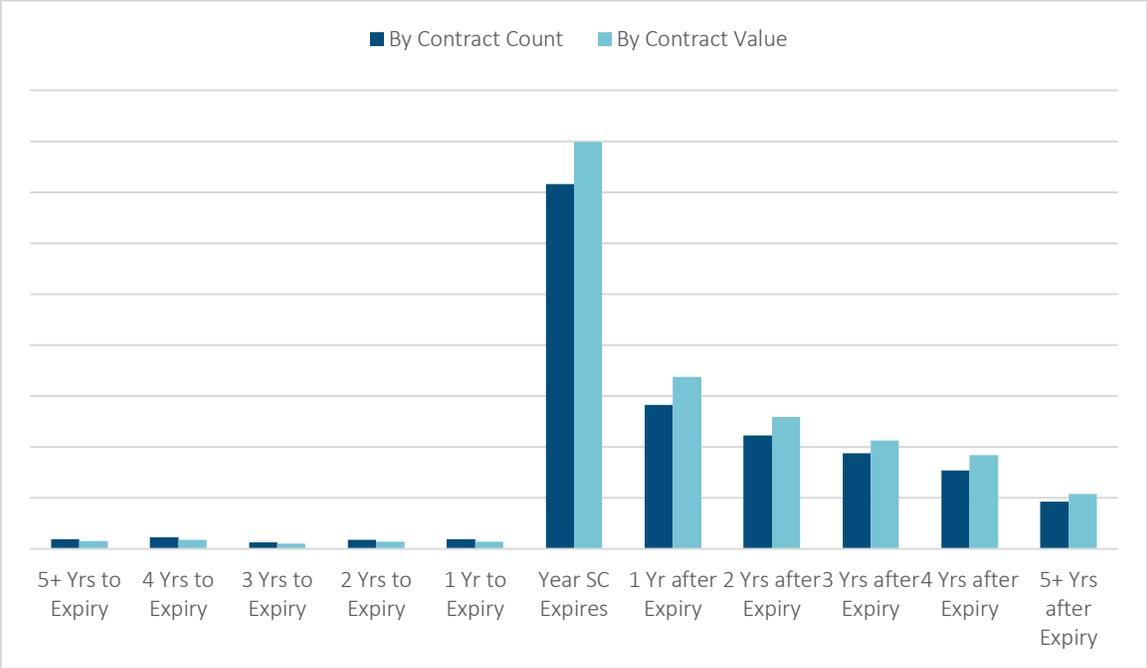
- The surrender rates by both contract count and contract value generally decreased as the guaranteed minimum interest rate (GMIR) group increased. This pattern was most evident after the surrender charge period, when the impact of surrender charges were removed.

Figure 2
SURRENDER RATES BY CONTRACT COUNT AND CONTRACT VALUE BY GUARANTEED MINIMUM INTEREST RATE GROUP AFTER SURRENDER CHARGE PERIOD



- As expected, the surrender rates by both contract count and contract value peaked in the year when the surrender charge expired. After that year, surrender rates remained elevated since there continued to be no surrender charge in the successive years.

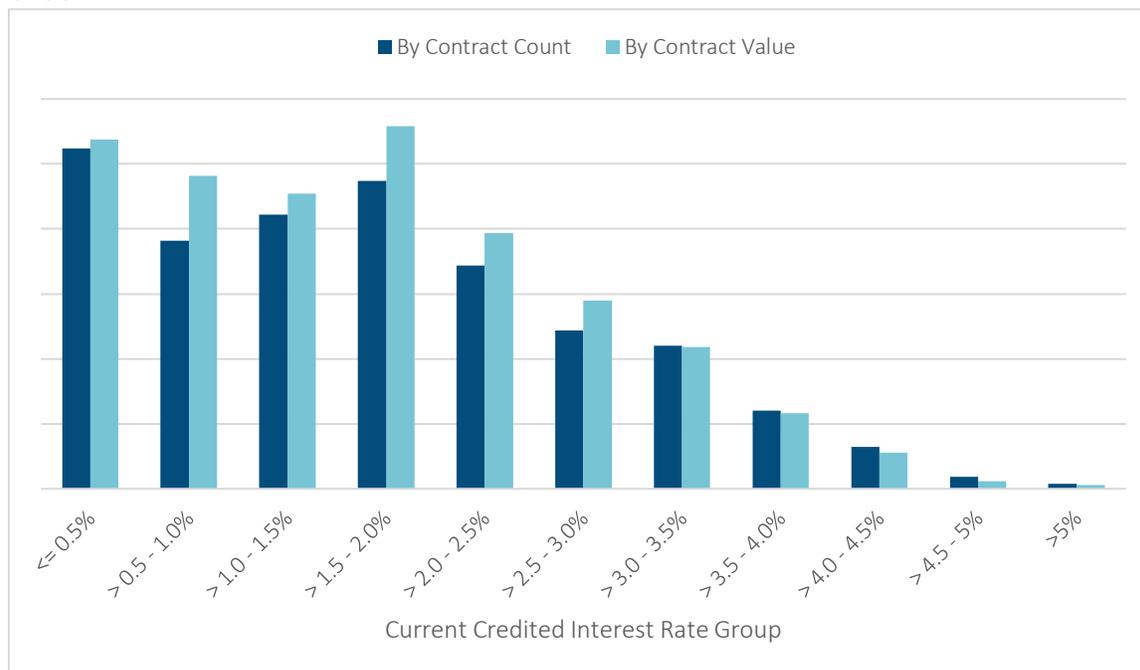
Figure 3
SURRENDER RATES BY CONTRACT COUNT AND CONTRACT VALUE BY YEARS TO SURRENDER CHARGE EXPIRY



SURRENDER ACTIVITY BY MARKET INTEREST RATE COMPARISONS

- The surrender rates by both contract count and contract value generally decreased as the current credited interest rate increased. On an amount basis, the exception to this was contracts in the crediting rate “>1.5 – 2.0%” group. The increase in surrender rate for that crediting rate group was due to the distribution of business by years to surrender charge expiry, with a larger percentage of contracts in that group in the shock year, increasing the surrender rate in total relative to the other groups.

Figure 4
SURRENDER RATES BY CONTRACT COUNT AND CONTRACT VALUE BY CURRENT CREDITED INTEREST RATE GROUP



- In general, the surrender rate is expected to increase as the excess of market rate over current credited rate increases. This expected pattern of surrender rates does not always hold depending on the presence or absence of surrender charges.
 - When a surrender charge expires in the previous year (not including the year of expiry), the surrender rates increase as the excess of market rate over current credited rate increased. The relationship of surrender rates to the excess of market rate over current credited rate was well defined in the years after surrender charge expiry, most likely because the surrender charge had less outsized influence on the contract owner behavior after expiry.
 - During the surrender charge period, the increasing pattern of surrender rates as the difference between market rate and current credited rate increases also held. While the underlying surrender rate itself was low due to the presence of a surrender charge, there was still a notable increase between the surrender rate when the difference between the market rate and credited rate was 3% relative to when the difference was 0%.
 - In the year the surrender charge expired, high 'shock' surrender rates were observed that were not necessarily impacted or driven by market interest rate sensitivity. Note that although the surrender rates increased as the spread to market moved from 0% to 1%, between 1% and 3% spreads, there was a less clear increase in surrender rates as the spread increased. Very high surrender rates would be expected in the year the surrender charge expires regardless of the interest rate environment, which may explain why there was not always a clear pattern.

Detailed Study Results

Detailed results from the 2023-2024 Fixed-Rate Deferred Annuity Surrender Study are available with a 2025 subscription to Experience Studies Pro. The subscriber data package for this particular study includes a report with detailed analysis and insights, and a data visualization dashboard where the user can drill down into the results and obtain select views of the data. Various distributions of contracts included in the study were reviewed in the detailed results along with the surrender rate 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, Calendar Year, Years to Surrender Charge Expiry, Market Type, Contract Value, Distribution Channel, and Issue Year. For more information about this study or how to secure a 2025 subscription to Experience Studies Pro, contact StudyPro@soa.org.

Study Methodology, Reliances and Limitations

Actual study experience was determined on an age-nearest birthday basis. Exposure was determined using a calendar year methodology with an annual exposure assumption and a Balducci adjustment. The contract year that a surrender was assigned to was 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 mortality 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.



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List of Participating Companies

The Society of Actuaries Research Institute and LIMRA would like to thank the following 24 companies who contributed data to this study:

- American National
- Athene Annuity & Life
- Brighthouse Financial
- CNO (Bankers Life & Casualty)
- Columbus Life (W&S)
- Fidelity & Guaranty Life
- Global Atlantic Financial Group
- Guardian
- Integrity Life (W&S)
- MassMutual
- National Integrity Life (W&S)
- New York Life
- OneAmerica
- Pacific Life
- Protective
- Prudential
- Riversource/Ameriprise
- Sammons
- Securian
- The Standard
- Symetra
- Thrivent Financial
- USAA
- Western & Southern Life Assurance

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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.

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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.

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Society of Actuaries Research Institute
8770 Bryn Mawr Ave., Suite 1000
Chicago, IL 60631
www.SOA.org