

Market Value Adjustment

When insurance companies issue annuities, they assume several risks. One risk is the chance that contract owners will want to withdraw money from their annuities at a time when the market value of the investments backing their annuities is low. When an insurance company issues an annuity with a Market Value Adjustment (MVA) feature, the contract owner may share some of that risk through the MVA. This adjustment could increase or decrease the accumulation value of an annuity only if more than the penalty-free amount is withdrawn or the contract is surrendered during the surrender charge period. Because the insurance company and the contract owner share the risk with MVA annuities, a higher interest rate can usually be paid on MVA annuities than on similar annuities without MVAs.

The amount of the MVA is determined by a mathematical formula using an external index, which measures changes in the interest rate environment. In general, if external interest rates are lower at the time of withdrawal than at the time the premium was received, the accumulation value will be increased. If external interest rates are higher at the time of withdrawal than at the time the premium was received, the accumulation value will be reduced.

The following examples show what happens to an accumulation value of \$100,000 if interest rates go up or down. The premium was received when the applicable external index* rate was at 5%. This example uses a 4% surrender charge.

If the external index **changes from 5% to 4%** then the cash surrender value would be \$97,855 determined as described below:

Accumulation Value before MVA \$100,000

Accumulation Value after MVA \$101,932

Surrender Charge (4%) \$4,077

Cash Surrender Value \$97,855

If the external index **changes from 5% to 6%** then the cash surrender value would be \$94,197 determined as described below:

Accumulation Value before MVA \$100,000

Accumulation Value after MVA \$98,122

Surrender Charge (4%) \$3,925

Cash Surrender Value \$94,197

**Please note that the market value adjustment will vary depending on the length of time in contract and the levels of the external index rate.*