

How A Market Value Adjustment Works

Some products apply a market value adjustment (MVA) if you surrender your annuity contract during the early withdrawal charge period or take a withdrawal that exceeds your free withdrawal amount during the early withdrawal charge period.

How it's calculated

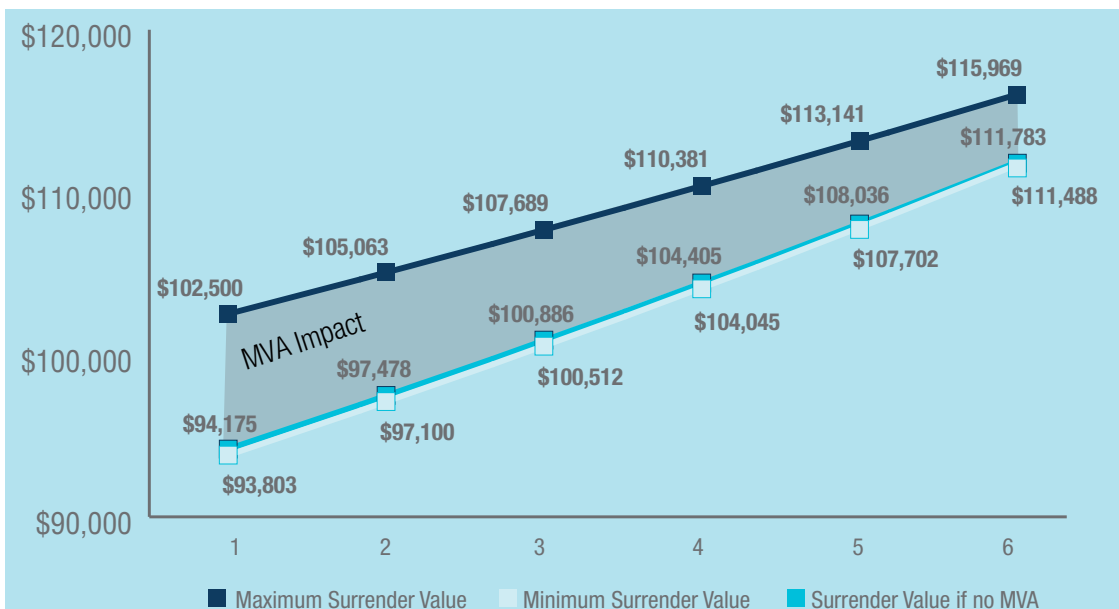
The MVA is calculated by comparing the interest rate environment when you purchased your contract to the environment when you choose to take a withdrawal or surrender your contract. The interest rates used in the calculation are the 5-Year Treasury Constant Maturity Series published by the Federal Reserve and the BofA Merrill Lynch 5-10 Year US Corporate Bond Index.

The adjustment can be positive or negative.

- **If interest rates have decreased**, the adjustment may be positive and result in an increase to your surrender value. A positive adjustment will never be greater than the early withdrawal charge that applies to the withdrawal or surrender.
- **If interest rates have remained steady or increased**, the adjustment may be negative and result in a decrease to your surrender value. A negative adjustment will never reduce your surrender value to less than the minimum permitted under the standard non-forfeiture law of your state.

Hypothetical example

Pam purchases an annuity with a \$100,000 purchase payment. The annuity has a seven-year early withdrawal charge period. Even though an annuity is designed as a long-term product, Pam decides to surrender her contract at the end of year six. Since the early withdrawal charge period has not ended, the MVA applies. The following graph shows the potential range of Pam's surrender value if the interest rates go up or go down.



If interest rates go down and the maximum positive MVA applies, the surrender value will be **\$115,969**.

If interest rates go up and the maximum negative MVA applies, the surrender value will be **\$111,488**.

If there was no MVA, the surrender value would be **\$111,783**.

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The example above is hypothetical and assumes the annuity contract earns a 2.50% annual interest rate. The interest rate does not represent the actual interest rate your contract may earn. The assumptions include that no partial withdrawals or loans were taken prior to full surrender. Withdrawals made prior to age 59½ may be subject to restrictions and a 10% tax penalty. The potential MVA is based on the NAIC Standard Nonforfeiture Law for Individual Deferred Annuities model regulation, and as such the MVA minimums could vary by state. An MVA does not apply to all products or in all states. The MVAs shown in the example are the maximum positive and negative MVAs and are not based on actual interest rates.

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