Midland National **Capital Income®**
fixed index annuity

Issued by Midland National® Life Insurance Company

Midland Advisory

Understanding the market value adjustment

This piece is designed to provide an important explanation of how the market value adjustment (MVA) affects your Midland National Capital Income® fixed index annuity contract. *Please read carefully.*

How does the MVA work?

The MVA affects the surrender value of your annuity contract. The surrender value is defined in your annuity contract and is also explained in the Capital Income product brochure.

During the MVA period, the MVA formula will be applied at the time your annuity is surrendered or if more than your penalty-free partial surrender amount is withdrawn.

The MVA may decrease or increase your surrender value depending on the change in the MVA reference rate since your annuity purchase. Due to the mechanics of an MVA, surrender values decrease as the MVA reference rate rises. When the MVA reference rate decreases, the surrender value increases.

The amount may be limited based on the interest credited and a percentage of the accumulation value. Surrender value after surrender charge and MVA is guaranteed to not be less than the minimum required by the laws of the state in which the contract is delivered. *Please see your Capital Income Contract and/or the product disclosure for the MVA limit for your Contract and state.*

When is the MVA applied?

The MVA applies under the following conditions:

- Policy is within MVA period (7-year surrender charge period).
- Withdrawal exceeds penalty-free withdrawal amount. This includes full surrender of your policy.

See your Capital Income annuity Contract for details. Please understand annuity contracts have limited liquidity during the surrender charge period, so make sure Capital Income meets your liquidity needs. The MVA is not applied to the death benefit and may not apply upon annuitization. The MVA does not apply after the MVA period.

MVA formula - The MVA will be calculated by multiplying the portion of any full or partial surrender that exceeds any available penalty-free withdrawal amount, before the reduction for any surrender charge, by the formula* described below.

How it works

$$(i_o - i_t) \times (T)$$

MVA reference rates:

i_o = The index value of the market value adjustment external index on the issue date of the annuity contract.

i_t = The index value of the market value adjustment external index at the time of partial or full surrender.

T = Time in years as follows: number of days from the date of the partial surrender or full surrender to the end of the current contract year divided by 365; plus whole number of years remaining in the market value adjustment period.

Market Value Adjustment External Index = Barclay's US Credit Index.

** Formula varies by state, see your Contract and product disclosure for details.*

MIDLAND NATIONAL®
A Sammons Financial Company

Ask your financial advisor how an insurance product could fit within your overall portfolio.

Effect of future changes in the index value of the MVA reference rate on annuity surrender values[1,2]

The following examples assume $100,000 Capital Income annuity with a 7-year surrender charge and MVA period allocated to a fixed account with 3% interest credited in all years, no withdrawals, an available penalty-free partial withdrawal allowance of 10% of accumulation value and the surrender charge percentages as shown in the table.

The table below demonstrate the effect of a MVA on an annuity, assuming the value of the MVA reference rate increases or decreases by each amount shown.

MVA formula: ($i_0 - i_t$) x (T); MVA limited to surrender charge and interest credited to the accumulation value:

Contract year	Surrender charge percentage	2% decrease	1% decrease	1% increase	2% increase
1	6%	515	515	(515)	(515)
2	6%	530	530	(530)	(530)
3	5%	546	546	(546)	(546)
4	4%	563	563	(563)	(563)
5	3%	580	580	(580)	(580)

Sample calculation for contract year 5

Using the example above, $100,000 Capital Income annuity in the hypothetical contract grows to an accumulation value of $115,927 in five years. Upon full surrender at the end of the fifth contract year, an MVA would be applied. This hypothetical example assumes that the MVA reference rate on the issue date was 3%, a 10% penalty-free partial surrender of $11,593 is available, no withdrawals have been taken since the contract was issued, and a 3% surrender charge would apply.

If the MVA reference rate changes from 3.00% to:

MVA reference rate on the date of full or partial surrender	2.00%	4.00%
Market value adjustment formula	(3.0% - 2.0%) x 2 = 2.0%	(3.00% - 4.00%) x 2 = -2.00%
Accumulation value	$115,927	$115,927
10% penalty-free withdrawal amount	$11,593	$11,593
Surrender charge	$3,130	$3,130
Market value adjustment	($115,927 - $11,593) x 2.00% = $2,087* *limited to, positive or negative, surrender charge of $3,130 or 0.50% of AV of $579.64 MVA = $579.64	($115,927 - $11,593) x -2.00% = -$2,087* *limited to, positive or negative, surrender charge of $3,130 or 0.50% of AV of $579.64 MVA = -$579.64
Surrender value**	$113,377	$112,218

** Surrender value after surrender charge and market value adjustment is guaranteed to not be less than the minimum required by the laws of the state in which the contract is delivered. The amount of the market value adjustment will not exceed the limit as defined in your annuity contract; your market value adjustment may differ from the values reflected in this hypothetical example.

MIDLAND NATIONAL®
A Sammons Financial Company

Ask your financial advisor how an insurance product could fit within your overall portfolio.