Understanding the market value adjustment

This piece is designed to provide an important explanation of how the market value adjustment (MVA) affects your IndexMax ADV® 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 IndexMax ADV 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will be applied at the time your annuity is surrendered or if more than your penalty-free partial surrender amount is withdrawn. During the 30 day re-entry window, no MVA will apply. Upon re-entry into a new surrender charge term, a new MVA period will begin and the MVA reference rate will be reset.

The MVA may decrease or increase your surrender value depending on the change in the MVA reference rate since the beginning of each surrender charge term. 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 of MVA may be limited based on the interest credited and/or surrender charge. 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 IndexMax ADV 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 (initial and re-entry surrender charge period).

- Withdrawal exceeds penalty-free withdrawal amount. This includes full surrender of your policy.

See your IndexMax ADV annuity Contract for details. Please understand annuity contracts have limited liquidity during the surrender charge period, so make sure IndexMax ADV meets your liquidity needs. The MVA is not applied to the death benefit and may not apply upon annuitization. The MVA will apply after the initial and re-entry MVA periods.

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 at the beginning of each surrender charge term (the MVA reference rate will be reset upon re-entry into a new surrender charge term).

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 current 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.

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Effect of future changes in the index value of the MVA reference rate on annuity surrender values

The following examples assume $100,000 IndexMax ADV 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 tables 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. The table demonstrates the MVA during the initial surrender charge period.

MVA formula: $(i_0 - i_t) \times (T)$; 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%	3,000	3,000	(3,000)	(3,000)
2	6%	5,729	4,774	(4,774)	(5,729)
3	5%	4,917	3,934	(3,934)	(4,917)
4	4%	4,052	3,039	(3,039)	(4,052)
5	3%	3,130	2,087	(2,087)	(3,130)

Sample calculation for contract year 5

Using the example above, $100,000 IndexMax ADV 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 at the beginning of the initial surrender charge term was 3%, a 10% penalty-free partial surrender of $11,255 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	(3.00% - 2.00%) x 2 = 2.00%	(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
Interest credited	$15,927	$15,927
Market value adjustment	($115,927 - $11,593) x 2.00% = $2,086.69* *limited to, positive or negative, surrender charge of $3,130 or interest credited of $15,927 MVA = $2,086.69	($115,927 - $11,593) x -2.00% = -$2,086.69* *limited to, positive or negative, surrender charge of $3,130 or interest credited of $15,927 MVA = -$2,086.69
Surrender value**	$114,884	$110,711

** 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.

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