EquiTrust®
Life Insurance Company

Understanding the impact of the

MARKET VALUE ADJUSTMENT ON YOUR FIXED INDEX ANNUITY

For fixed index annuity contracts issued after 2015

What is a Market Value Adjustment?

When you own an annuity, you may need to withdraw more money than originally planned or surrender the annuity before the surrender-charge period is over. In that case, a Market Value Adjustment (MVA) may apply. This adjustment is calculated by comparing the current interest rate environment to the interest rate environment at the time you purchased the annuity, and may result in an increase or decrease in the amount you will receive. It's important to note that an MVA only applies when the annuity is still in the surrender charge period.

Why do we use an MVA?

The MVA helps the company balance investment risk while maintaining competitive annuity rates. EquiTrust purchases longer-term bonds to back your annuity. As interest rates change, those bonds become more or less valuable. When an early surrender occurs, bonds must be liquidated for their current value. An MVA allows the client to share in the investment risk associated with early surrender or withdrawal.

How does the MVA work?

Current interest rates drive the MVA. If interest rates are lower than at issue, the MVA will be positive, which offsets some or all of the surrender charge. On the other hand, if interest rates are higher than at issue, the MVA will be negative and this amount will be deducted from the withdrawal amount. The MVA won't reduce the cash surrender value below the guaranteed minimum value, and does not increase your cash surrender value above the annuity's Accumulation Value.

How does EquiTrust calculate the MVA?

The MVA is calculated by multiplying the MVA factor by the amount withdrawn or surrendered (after reduction for any surrender charges). The MVA factor is equal to: (s - c) x (n / 12). Where:

S = the MVA rate on the issue date;

C = the MVA rate at the time of partial withdrawal or surrender

N = the number of complete months until the end of the surrender charge period

S		N		
− C		÷ 12		
( )	x	( )	=	( )
				MVA factor

What indices are used to determine the MVA rate?

MVA rates are based on Moody's Bond Indices — Corporate Average, which is an indicator of average corporate bond yields available in the market.

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ET-GEN-FLR-MVA (04-23)