UNDERSTANDING THE MARKET VALUE ADJUSTMENT (MVA) ON YOUR CERTAINTY SELECT® ANNUITY

The Market Value Adjustment is a positive or negative adjustment that may apply to your value upon early withdrawal or surrender, based on the movement in an external index.

The Market Value Adjustment will apply if the withdrawal amount exceeds the free withdrawal provision or the contract is surrendered during the surrender charge period*. The MVA can increase or decrease the amount the Contract Owner receives from a withdrawal or full surrender. However, the amount the Owner receives upon full surrender will never be greater than the Accumulated Value or less than the Minimum Guaranteed Contract Value.

The MVA is determined by a mathematical formula that measures changes in the interest rate environment since the beginning of the current surrender charge period. The external index used to measure these changes is the Treasury Constant Maturity Series, which is computed by the Federal Reserve and published weekly in the Federal Reserve Statistical Release. The amount withdrawn or surrendered is adjusted, either up or down, based on the difference between the Treasury Rates and the time remaining in the current surrender charge period.

Let's look at an example:

Assume the Accumulation Value is $125,000, <u>five years</u> remain in the current surrender charge period and the Treasury Rate was 4.50% at the beginning of the surrender charge period.

What happens if I choose to surrender the Contract?

If the external index decreases to 3.50%, this would result in a positive MVA factor of 0.02427, which means the Company would increase your Cash Surrender Value by 2.427%. If, on the other hand, the external index increases to 5.50%, this would result in a negative MVA Factor equal to -0.06878, and the Company would decrease your Cash Surrender Value by 6.878%. The Accumulation Value of the Contract is subject to the appropriate surrender charge <u>before</u> the application of the MVA Factor. The MVA Factor is also applied to the Accumulation Value to arrive at the Market Value Adjustment Amount.

What is the actual MVA formula?

MVA Factor = $[(1 + s)/ (1 + c + 0.005)]^{n/12} - 1$

s = 4.50% = the starting Treasury Rate

c = 3.50% or 5.50% = the current Treasury Rate for remaining period at withdrawal or surrender

n = 60 = the number of complete months until the end of the current surrender charge period

The MVA Factors for the examples above are:
<u>1% Decrease in Rates</u>:
$[(1+ 0.0450)/(1 + 0.0350 + 0.005)]^{60/12} - 1 = 0.02427$

<u>1% Increase in Rates</u>:
$[(1+ 0.0450)/(1 + 0.0550 + 0.005)]^{60/12} - 1 = -0.06878$

	1% Decrease in Rates	1% Increase in Rates
Accumulation Value	$125,000	$125,000
MVA Factor	0.02427	-0.06878
Market Value Adjustment Amount = (Accumulation Value x MVA Factor)	$3,033.84	-$8,597.55
Hypothetical Surrender Charge of 8% = (Accumulation Value x 8%)	-$10,000	-$10,000
Surrender Value = (Accumulation Value – Surrender Charge + MVA)	= $118,033.84	= $106,402.45

The MVA does NOT apply….
upon death**, to free partial withdrawals or to most settlement options.

* Withdrawals before age 59 ½ may be subject to a 10% IRS penalty.
**Only on the Base Contract. If the Optional Rider is chosen, MVA <u>will</u> apply upon death if the death benefit is taken immediately.