IIPRC-A-07-I-2

ADDITIONAL STANDARDS FOR MARKET VALUE ADJUSTMENT FEATURE PROVIDED THROUGH THE GENERAL ACCOUNT CHECKLIST

Effective Date: December 2, 2024

(For use with Individual Deferred Non-Variable Annuities and general account portions of Individual Deferred Variable Annuities)

Scope: These standards apply to market value adjustment (MVA) features provided through the general account that are built into individual deferred non-variable annuity contracts (including index-linked annuities) or the general account portions of individual deferred variable annuities (including index-linked annuities), non-variable account value of individual deferred indexed linked variable annuity contracts or added to such contracts at issue by rider, endorsement or amendment. The MVA feature is a positive or negative adjustment that may apply to the account value/cash value of the annuity upon withdrawal, surrender, or annuitization, based upon the movement of an index or the company's current guaranteed interest rate being offered on new premium (or new rates for renewal periods for CD annuities), if that withdrawal, surrender, or annuitization occurs at a time other than on a specified guaranteed benefit date. These standards do not apply to MVA features provided through the use of separate accounts.

Mix and Match: These standards are available to be used in combination with State Product Components as described in Section 111(b) of the Operating Procedure for the Filing and Approval of Product Filings.

Self-Certification: These standards are not available to be filed on a self-certification basis in accordance with the Rule for the Self-Certification of Products Filed with the Interstate Insurance Product Regulation Commission.

As used in these standards, the following definitions apply:

"Guaranteed benefit date" means the date (or dates if there is more than one MVA period) stated in the contract on which the contract values are available without the application of any market value adjustment.

"Index" means a publicly available interest rate index, where the source of the index is external to the company.

"Multi-Year Interest Rate Guarantee Annuity" is defined as an annuity with an MVA where: (i) interest is declared at the beginning of a specified multi-year period of time and is not subject to change (either up or down); and (ii) the end of this period is a guaranteed benefit date where the entire cash surrender value without market value adjustment is made available to the contractholder. For the purposes of this standard, an annuity with a one-year guarantee and an MVA may be treated as a multi-year interest rate guarantee annuity, as long as the guaranteed benefit date is at the end of the one-year period. This multi-year interest rate guarantee annuity may allow for a renewal of the interest rate guarantee subject to the limitations in the definition of the multi-year interest rate guarantee annuity specified in (i) and (ii) above. An indexed linked annuity is not a Multi-Year Interest Rate Guarantee Annuity.

"MVA form" refers to a MVA feature that is either built into the contract or added by rider, endorsement or amendment on the date of issue of the contract.

"MVA period" is the period of time stated in the contract from the policy issue date, a premium payment date, or a guaranteed benefit date to the next guaranteed benefit date. For a multi-year interest rate guarantee annuity, the MVA period is the interest rate guarantee period.

Drafting Note:

Other terms may be used in the contract provided they are consistent.

§ 1 ADDITIONAL SUBMISSION REQUIREMENTS

A. GENERAL

The following additional filing submission requirements shall apply:

YES	N/A	
☐	☐	(1) If a MVA feature is provided by attachment to the contract by rider, endorsement or amendment, include:
☐	☐	(a) A listing by filing jurisdiction of the types of contracts with which the MVA form will be used, including the contract form numbers, the corresponding approval date for these contracts and any filing identification number.
☐	☐	(b) A description of the MVA feature for all types of contract forms with which it will be used.
☐	☐	(c) Any contract pages or provisions referenced in the MVA form.

B. ACTUARIAL MEMORANDUM

YES	N/A	
☐	☐	(1) The actuarial memorandum required for the Individual Deferred Non-Variable Annuity Contract Standards that include a MVA feature, and which is prepared, dated and signed by the member of the American Academy of Actuaries, shall include the following information on the MVA feature:
☐	☐	(a) A description of the MVA feature, including:
☐	☐	(i) Any formula or methodology used to determine the market value adjustment (sample acceptable formulas are included in Appendix A attached; other formulas may be used if they are approved by the IIPRC),
☐	☐	(ii) Whether the market value adjustment will be based on an index or the company's current guaranteed interest rate being offered on

		new premium (or new rates for renewal periods for CD annuities),
☐	☐	(iii) Under what conditions the market value adjustment is applicable, including any limitations on the MVA period and whether it coincides with an interest guarantee period, a surrender charge period, or some other period, and
☐	☐	(iv) How the MVA formula is applicable for both upward and downward adjustments. The same MVA formula must be applied during a period when its application would result in an increase in the cash value as is applied during a period when its application would result in a decrease in the cash value. If the MVA form limits the amount of upward adjustment (whether explicitly or not) it must contractually provide that any MVA adjustment triggering this limitation also trigger an identical dollar amount downward limitation on the MVA adjustment;
☐	☐	(b) A description of any index used as the basis for the market value adjustment and all elements used in determining the market value adjustment from the index;
☐	☐	(c) An example showing the derivation of the market value adjustment based on an assumed change in the value of the index or an assumed change in the value of the company's guaranteed interest rates;
☐	☐	(d) A description of any elements used in determining the market value adjustment, including, for MVA formulas based on the difference between guaranteed interest rates being credited and current guaranteed interest rates, any amount by which the company may increase, for purposes of this calculation, the current guaranteed interest rate (but not to exceed 25 basis points), and any guarantees or ranges associated with these elements;
☐	☐	(e) A demonstration that the values of the contract comply with the nonforfeiture requirements, including Appendix A-1 and A-2 of the Core Standards for Individual Deferred Non-Variable Annuity Contracts, to which these standards are attached. Further guidance for satisfying these requirements is found in Appendix B.
☐	☐	(f) An actuarial certification that the cost trade-offs between the product being filed and similar products without an MVA were reviewed and deemed appropriate, and differences in crediting rates, caps, spreads, participation rates or other design variables will provide value to the contract owner relative to the product without the MVA.

C. VARIABILITY OF INFORMATION

YES	N/A	
☐	☐	(1) The following item shall only be changed upon prior approval:
☐	☐	(a) Any index used in determining the market value adjustment.
☐	☐	(2) Guaranteed elements used in determining the market value adjustment may be changed for new issues without prior notice or approval, as long as the Statement

			of Variability presents reasonable and realistic ranges for each guaranteed element. When a MVA form is issued, a single value or range of values within the range filed for the guaranteed element shall be applicable for the life of that contract. Any change to the range filed for a guaranteed element requires a refiling for prior approval and shall be accompanied by a demonstration, if applicable, signed by a member of the American Academy of Actuaries, that the contracts issued within the new range comply with the NAIC Standard Nonforfeiture Law for Individual Deferred Annuities, Model #805 as interpreted in the Core Standards for Individual Deferred Non-Variable Annuity Contracts to which these standards apply.
☐	☐	(3)	A zero entry in a range for any benefit or credit is unacceptable, and any change to a range requires a refiling for prior approval.

§ 2 GENERAL REQUIREMENTS

A. COVER PAGE

YES	N/A		
☐	☐	(1)	The MVA form shall contain a brief description that shall appear in prominent print on the cover page of the MVA form or be visible without opening the MVA form. The brief description shall contain at least the following information:
☐	☐		(a) A caption stating that a market value adjustment is provided; for example, flexible premium deferred annuity contract with market value adjustment feature, or market value adjustment endorsement. Other wording may be used to describe the market value adjustment, subject to prior approval of the IIPRC.
☐	☐		(b) That the operation of the formula may result in both upward and downward adjustments in partial withdrawals, surrender benefits, or amounts available for annuitization, as applicable.

B. SPECIFICATIONS PAGE

YES	N/A		
☐	☐	(1)	The specifications page of the MVA form shall include any index used.
☐	☐	(2)	The specifications page of the MVA form shall include any guaranteed elements used in determining the market value adjustment and a statement, if applicable, that:
☐	☐		(a) The elements used in determining the market value adjustment are not guaranteed and can be changed by the company, subject to the guarantees in the MVA form, and that any such changes can affect the benefits available under the contract.

§ 3 MVA FEATURE PROVISIONS

A. AMENDMENTS

YES N/A

☐	☐	(1) The MVA form shall provide for amendments made pursuant to the Discontinuation of or Substantial Change to an Index section of the standards. The change shall be made by the use of an endorsement subject to the applicable prior approval requirement.

B. DISCONTINUATION OF OR SUBSTANTIAL CHANGE TO AN INDEX

YES	N/A	
☐	☐	(1) The MVA form shall contain a provision indicating what occurs when any index is discontinued or the calculation of any index is substantially changed, with the provision being labeled as such. The provision shall state that if the index is discontinued or if the calculation of the index is changed substantially, the company may substitute a comparable index subject to approval by the Interstate Insurance Product Regulation Commission (IIPRC). The MVA form shall also specify that, before a substitute index is used, the company shall notify the owner and any assignee of the substitution.
☐	☐	(2) The approval shall be contingent on the company providing the IIPRC with either confirmation that the index has been discontinued or documentation of the substantial change to the index and the reasons supporting the need for the index to be discontinued.

C. MARKET VALUE ADJUSTMENT

YES	N/A	
☐	☐	(1) The MVA form shall describe any formulae or methodology used to determine the market value adjustment, including:
☐	☐	(a) Whether the market value adjustment is based on an index or the company's current guaranteed interest rate being offered on new premium (or new rates for renewal periods for CD annuities);
☐	☐	(b) Under what conditions the market value adjustment is applicable, including any limitations on the MVA period and whether that period of time coincides with an interest guarantee period, a surrender charge period, or some other period; and
☐	☐	(c) How the MVA formula will apply for both upward and downward adjustments (including any limit on the market value adjustment). If the MVA form limits the amount of upward adjustment (whether explicitly or not) it must contractually provide that any MVA adjustment triggering this limitation also trigger an identical dollar amount downward limitation on the MVA adjustment.
☐	☐	(2) For multi-year interest rate guarantee annuities, the MVA formula shall reflect either:
☐	☐	(a) The difference between the guaranteed interest rate being credited to the account value (or specific premium account) and the current guaranteed interest rate being offered on new premium (or new rates for renewal periods for CD annuities), valued over the number of months remaining in the MVA period; or
☐	☐	(b) The difference between the value of an index at the beginning of the

		MVA period and the current value of the same index (or another index of the same series, if clearly disclosed in the MVA form), valued over the number of months remaining in the MVA period.
☐	☐	(3) For annuities other than multi-year interest rate guarantee annuities the MVA formula may only be based on an index, as described in item (2)(b) above.
☐	☐	(4) The MVA form shall describe any elements used in determining the market value adjustment and any guarantees or ranges associated with these elements, including, for MVA formulas based on the difference between contract guaranteed interest rates and current guaranteed interest rates, any amount by which the company may increase the current guaranteed interest rate (for purposes of the market value adjustment), but not to exceed 25 basis points.
☐	☐	(5) The MVA form shall specify the maturity of the current interest rate (i.e. the company's current interest rate guarantee or the current value of an index) used in the MVA formula. The current interest rate used may have a maturity equal to the number of months in the full MVA period or the number of months remaining in the MVA period (rounded to the nearest whole number of months or the next higher whole number of months for which a current interest rate is available). For example, if an annuity with a 5-year MVA period based on a current interest rate guarantee is surrendered after 3.75 years (1.25 years or 15 months remaining), the MVA formula may use the current 5-year interest rate guarantee or a current 2-year interest rate guarantee, as long as that rate is currently offered by the company and the use of such rate (and any rounding rule to determine the applicable rate) is stated in the MVA form. The MVA formula shall then use such current rate and the exact whole number of months remaining in the MVA period (in this case 15 months) to calculate the MVA amount.
☐	☐	(6) If the MVA formula uses an index for the current interest rate, then the MVA form shall indicate the time frame for determining the value of that particular index. For example, if an annuity with a 5-year MVA period is surrendered after 3.75 years (1.25 years or 15 months remaining), the MVA formula may use the value of the 5-year CMT as of a specified date prior to the beginning of the MVA period and the value of the 2-year CMT as of a specified date prior to the surrender date (e.g. the end of the week prior to the date of surrender), as long as the MVA form specifies: (1) the use of the Constant Maturity Treasury Series, (2) any rounding rule used to determine the applicable period within the series, and (3) the date used for choosing the value of the rate. The MVA formula shall then use such current rate and the exact whole number of months remaining in the MVA period (in this case 15 months) to calculate the MVA amount.
☐	☐	(7) Samples of acceptable formulas are included in Appendix A attached; other formulas may be used if they are approved by the IIPRC
☐	☐	(8) For multi-year interest rate guarantee annuities based on current rate, the following shall be included:
☐	☐	(a) The procedure to determine the rate to be used in the event that the current guaranteed interest rate cannot be determined from the company's contracts then being offered; and
☐	☐	(b) A statement of the procedure to determine the adjustment in the event the company no longer issues multi-year interest rate guarantee annuities.

☐	☐	(9) The MVA form shall describe the effect of any market value adjustment on all contract values. In particular, the MVA form shall describe how the annuity value is affected by the MVA formula.
☐	☐	(10) The MVA form shall describe the dates the market value adjustment is to be made, the dates to be used in determining any of the elements used in the determination of the market value adjustment and the order in which the market value adjustment is to be made relative to other contract charges and credits that could be applied on the same date.
☐	☐	(11) If the MVA form re-imposes a MVA period after a MVA period expires, the MVA form shall state this and indicate any differences in the methodology, guarantees, time periods, etc.
☐	☐	(12) The MVA form shall describe the guaranteed benefit date (or dates if there is more than one MVA period), and the period of time during which the contractholder may apply for a contract value on an unadjusted basis. This period of time shall be a minimum of 30 consecutive days including the guaranteed benefit date. Contract values, unadjusted for any market value adjustment, must be available for at least 30 days at least once in each ten-contract year (or premium payment year) period, beginning when the unadjusted contract value was last available. The MVA form shall state that a notice will be mailed at least 15 but not more than 45 days prior to the beginning of the application period.
☐	☐	(13) The MVA form shall describe any circumstances under which the market value adjustment is waived.

D. MARKET VALUE ADJUSTMENT GUARANTEES

YES	N/A	
☐	☐	(1) Any elements used in determining the market value adjustment and stated in the MVA form shall be guaranteed. Nonguaranteed elements shall not be included in the MVA form.
☐	☐	(2) The MVA form shall indicate which elements are guaranteed and which may be changed at the discretion of the company. The MVA form shall also indicate that the right to change any of these elements is subject to any guarantees with respect to the element and that any change shall be based on future anticipated experience.

E. REPORT

YES	N/A	
☐	☐	(1) The MVA form shall state that the annual report will contain at least the following:
☐	☐	(a) An indication that the cash value is prior to the application of any MVA formula; and
☐	☐	(b) The MVA formula or MVA amount used to determine the cash surrender value.

F. RIGHT TO EXAMINE CONTRACT

YES N/A

☐	☐	(1) The MVA form shall disclose that if the contract is returned under the right to examine provision, the amount that will be returned shall be either a refund of:
☐	☐	(a) The premiums paid; or
☐	☐	(b) The greater of:
☐	☐	(i) The premiums paid; and
☐	☐	(ii) The account value, adjusted by any positive or negative market value adjustment, plus any fees or charges deducted from the premiums or account value.

G. TERMINATION

YES	N/A	
☐	☐	(1) A MVA form that is attached to the contract by rider, endorsement or amendment shall include the following termination condition:
☐	☐	(a) Upon termination of the contract.

APPENDIX A

SAMPLE ACCEPTABLE MVA FORMULAS

$\{[(1+I)/(1+J+K)]^N - 1\}$ OR $[I - (J+K)] \times N$ where:

N = The number of days (or the nearest whole number of months) from the date of the surrender to the end of the current MVA period divided by 365 (or 12 if measured in months).

For an MVA Based on a Guaranteed Interest Rate:

I = Guaranteed interest rate being credited to the account value (or specific premium account).

J = Current interest rate being offered on new premium (or new rates for renewal periods for CD annuities) on the date of the surrender with a maturity equal to either:

- the number of months in the full MVA period, or
- the number of months remaining in the MVA period (rounded to the nearest whole number of months or the next higher whole number of months for which a current interest rate is available).

K = Amount by which the company may increase the current guaranteed interest rate (for purposes of the market value adjustment), but not to exceed 25 basis points.

For an MVA Based on an Index (See examples of I and J in §3.C.(6))

I = The value of the index with a maturity equal to the number of months in the full MVA period of the contract (or specific premium account), as of a specified date before the effective date of the declared interest rate for the contract or premium account.

J = The value on the date of surrender as of a specified date it is publicly available before the effective date of the surrender equal to either:

- the same index described in I, or
- the value of another index in the same series with a maturity equal to the number of months remaining in the MVA period of the contract (or specified premium account), rounded to the nearest whole number of months or the next higher whole number of months for which an index in that series is available.

K = 0

APPENDIX B

GUIDANCE FOR COMPLETING APPENDICES A-1 AND A-2 FOR ANNUITY NONFORFEITURE MINIMUM VALUE COMPLIANCE
For Use With a
MARKET VALUE ADJUSTMENT FEATURE CONTAINED AS PART OF INDIVIDUAL DEFERRED NON-VARIABLE ANNUITY CONTRACTS OR THE GENERAL ACCOUNT PORTION OF INDIVIDUAL DEFERRED VARIABLE ANNUITY CONTRACTS, NON-VARIABLE ACCOUNT VALUE OF INDIVIDUAL DEFERRED INDEXED LINKED VARIABLE ANNUITY CONTRACTS

The market value adjustment (MVA) feature is a positive or negative adjustment that may apply to the account value/cash value of the annuity upon withdrawal, surrender, or annuitization, based upon the movement of an index or the company's current guaranteed interest rate being offered on new premium (or new rates for renewal periods for CD annuities), if that withdrawal, surrender, or annuitization occurs at a time other than on a specified guaranteed benefit date.

For purposes of demonstrating compliance with the NAIC Standard Nonforfeiture Law For Individual Deferred Annuities, Model #805 (the Law), and compliance with the requirements of the core Interstate Insurance Product Regulation Commission standards for individual non-variable deferred annuity products, the following requirements apply to MVA Annuities:

(1) For purposes of the retrospective test of the Law (Appendix A-1), the guaranteed cash value is after the market value adjustment. This means that the MVA formula must always produce a value at least as great as that determined under the retrospective test as outlined in the guidance for the core standards, or the contract must contain a floor that complies with the retrospective test.

(2) For purposes of the prospective test of the Law (Appendix A-2), the unadjusted guaranteed cash value (or the guaranteed cash value resulting from assuming that the application of the MVA formula is an MVA amount of zero) shall be at least as great as that determined under the prospective test as outlined in the guidance for the core standards.