

Understanding The Market Value Adjustment

The *Understanding the Market Value Adjustment* piece is designed to provide an important explanation of how the Market Value Adjustment (also known as Interest Adjustment) affects your annuity Contract with North American. Please read carefully.

WHEN IS THE MARKET VALUE ADJUSTMENT APPLIED?

The Market Value Adjustment is applied during the surrender charge period of your annuity Contract. The surrender charge period will vary by product. *Please see your annuity Contract or product brochure for details.* The Market Value Adjustment only applies during the surrender charge period should you elect to surrender your annuity. The Market Value Adjustment will also apply if you elect to take a withdrawal that exceeds your penalty-free withdrawal amount. Please understand annuity contracts have limited liquidity during the surrender charge period, so make sure the annuity selected meets your liquidity needs. The Market Value Adjustment does not apply upon death of the owner and/or annuitant and may not apply upon annuitization, and does not apply after the surrender charge period.

HOW DOES THE MARKET VALUE ADJUSTMENT WORK?

The Market Value Adjustment affects the surrender value of your annuity Contract. The surrender value is defined in your annuity Contract and is also explained in each product brochure.

The Market Value Adjustment formula (see 2nd page) will be applied at the time your annuity Contract is surrendered or if more than your penalty-free available is withdrawn during the surrender charge period as stated in your Contract. The impact of the Market Value Adjustment is similar to how bond values are impacted by interest rates. The surrender value of your annuity will generally decrease as new money interest rates for your annuity product increase which creates a negative adjustment to your surrender value. Alternatively, when

new money rates for your annuity product have decreased since your Contract was issued, the surrender value generally increases due to the Market Value Adjustment. The amount of Market Value Adjustment will never exceed the lesser of: a) total interest credited to the Accumulation Value since issue, less the sum of the absolute values of all the Market Value Adjustments on prior partial surrenders (i.e. all adjustments positive or negative added together), or b) the surrender charge plus any premium bonus recapture (if applicable).

Lower interest rates at time of issue may result in less opportunity for a positive Market Value Adjustment in future contract years. In certain rate scenarios at the time of issue, it may not be possible to experience a positive Market Value Adjustment.



The table below illustrates the effect of a Market Value Adjustment on an annuity, assuming the future new money interest rate increases or decreases by 1% or 2%.

| EFFECT OF FUTURE NEW MONEY INTEREST RATE CHANGES ON ANNUITY SURRENDER VALUES ^{1,2, #} | | | | | | |
|--|--------------|--------------|----------------|-----------------------|------------------------|------------------------|
| Contract Year | -2% Decrease | -1% Decrease | -0.5% Decrease | No Change | 1% Increase | 2% Increase |
| 1 | \$9,200 | \$7,098 | 0 | -\$4,905 [#] | -\$4,905 [#] | -\$4,905 [#] |
| 2 | \$13,568 | \$6,133 | 0 | -\$6,133 | -\$8,520 [#] | -\$8,520 [#] |
| 3 | \$15,630 | \$5,846 | 0 | -\$5,846 | -\$12,329 [#] | -\$12,329 [#] |
| 4 | \$16,055 | \$5,528 | 0 | -\$5,528 | -\$15,727 | -\$15,727 [#] |
| 5 | \$15,521 | \$5,174 | 0 | -\$5,174 | -\$15,521 | -\$16,497 [#] |
| 6 | \$14,349 | \$4,783 | 0 | -\$4,783 | -\$14,349 | -\$15,262 |
| 7 | \$13,057 | \$4,352 | 0 | -\$4,352 | -\$13,057 | -\$13,948 |
| 8 | \$11,640 | \$3,880 | 0 | -\$3,880 | -\$11,640 | -\$12,553 |

1. Values assume a \$100,000 single premium allocated to the Fixed Account with a 4% interest rate in all years and 5% premium bonus based on a NAC SecureChoiceSM 14-Year contract issued by North American. Products offering premium bonuses may result in a lower rate than products that don't offer a premium bonus. 2. The effect on the values of the Contract you purchased may differ from those reflected in this table. Refer to your Contract for details.

#. Market Value Adjustments cannot cause the surrender value to be lower than the minimum requirements set by state law. These values reflect minimum state law requirements assuming a 1% interest rate. Current state law minimum requirements may be greater or less than a 1% interest rate.

The Market Value Adjustment Formula

The Market Value Adjustment 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

$$[(i_0 - i_t - 0.005) \times (T)]$$

i_0 = The current interest rate, excluding any additional interest, when the contract was issued.

i_t = The current interest rate, excluding any additional interest, offered for new contracts at time of the partial or full surrender.

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

* Formula varies by state, see your contract for details.

Sample Calculation

If you put \$100,000 into the Fixed Account of a NAC SecureChoiceSM 14-year Fixed Index Annuity with a 4% interest rate and a 5% premium bonus, you would have an Accumulation Value of \$138,173 in seven years. This example assumes that the Market Value Adjustment would be applied upon full surrender at the end of the 7th contract year with a penalty-free partial surrender of 10% available and an 8% surrender charge would apply.

| If the new money interest rate changes from 4% to: | | |
|--|---|--|
| Current Interest Rate for new contracts | 3% | 5% |
| Market Value Adjustment Calculation | $(0.04 - 0.03 - 0.005) \times 7$ | $(0.04 - 0.05 - 0.005) \times 7$ |
| | = 0.0350 | = -0.1050 |
| Accumulation Value | \$138,173 | \$138,173 |
| 10% Penalty-Free Withdrawal Amount | \$13,817 | \$13,817 |
| Market Value Adjustment | $(\$138,173 - \$13,817) \times 0.035 = 4,352$ | $(\$138,173 - \$13,817) \times -0.105 = -13,057$ |
| Accumulation Value (after Market Value Adjustment) | \$142,525 | \$125,116 |
| Surrender Charge | \$9,948 | \$9,948 |
| Premium Bonus Recap | \$4,000 | \$4,000 |
| Cash Surrender Value** | \$128,577 | \$111,168 |

**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 written.

Fixed Index Annuities are not a direct investment in the stock market. They are long term insurance products with guarantees backed by the issuing company. They provide the potential for interest to be credited based in part on the performance of specific indices, without the risk of loss of premium due to market downturns or fluctuation. They may not be appropriate for all clients.

It is not the intent of North American, this flyer, or your representative to give tax advice. Consult your personal tax advisor on specific points of importance to you. This product is issued by North American Company for Life and Health Insurance®, West Des Moines, IA. Product features and riders may not be available in all states. The NAC SecureChoiceSM is issued on form NC/NA1005A (certificate/contract), AE553A (if NAC SecureChoice Plus Rider is elected), LR431A, LR424A-1, AE551A, LR423A, AE520A, AE552A and LR433A (riders/endorsements) or appropriate state variation. This product may not be available in all states. The Market Value Adjustment feature is not available in all states. Please refer to your Contract to determine if this feature is available.

Understanding the Market Value Adjustment with External Index

This piece is designed to provide an important explanation of how the Market Value Adjustment affects your annuity Contract with North American Company for Life and Health Insurance®. *Please read carefully.*

WHEN IS THE MARKET VALUE ADJUSTMENT APPLIED?

The Market Value Adjustment applies during the market value adjustment period should you elect to surrender your annuity or take a withdrawal that exceeds your penalty-free partial surrender amount. The market value adjustment period is equal to the surrender charge period of your annuity contract. The market value adjustment and surrender charge period will vary by product. *See your annuity Contract or product brochure for details.* Please understand annuity contracts have limited liquidity during the surrender charge period, so make sure the annuity selected meets your liquidity needs. The Market Value Adjustment is not applied upon death of the owner and/or annuitant and may not apply upon annuitization. The Market Value Adjustment does not apply after the market value adjustment period.

values generally decrease as the Market Value Adjustment External Index rises or remains constant. When the Market Value Adjustment External Index decreases enough over time, the surrender value generally increases.

The amount of Market Value Adjustment will never exceed the lesser of a) the total interest credited to the Accumulation Value since issue, less the sum of the absolute values of all Market Value Adjustments on prior partial surrenders (i.e. all adjustments positive or negative added together), or b) the applicable surrender charge.

The Market Value Adjustment External Index is defined in your annuity Contract.

HOW DOES THE MARKET VALUE ADJUSTMENT WORK?

The Market Value Adjustment affects the surrender value of your annuity Contract. The surrender value is defined in your annuity Contract and is also explained in each product brochure.

During the market value adjustment period, the Market Value Adjustment formula (see 2nd page) will be applied at the time your annuity is surrendered or if more than your penalty-free partial surrender amount is withdrawn.

The Market Value Adjustment may decrease or increase your surrender value depending on the change in the Index Value of the Market Value Adjustment External Index since your annuity purchase. Due to the mechanics of a Market Value Adjustment, surrender

The table below demonstrates the effect of a Market Value Adjustment on an annuity, assuming the future Index Value of the Market Value Adjustment External Index increases or decreases by each amount shown.

Effect of Future Changes in the Index Value of the Market Value Adjustment External Index on Annuity Surrender Values^{1,2,3}

| Contract Year | 2% Decrease | 1% Decrease | 0.5% Decrease | No Change | 1% Increase | 2% Increase |
|---------------|-------------|-------------|---------------|-----------|-------------|-------------|
| 1 | \$3,000 | \$3,000 | — | (\$3,000) | (\$3,000) | (\$3,000) |
| 2 | \$6,090 | \$4,031 | — | (\$4,031) | (\$6,090) | (\$6,090) |
| 3 | \$8,851 | \$3,442 | — | (\$3,442) | (\$8,851) | (\$8,851) |
| 4 | \$9,117 | \$3,039 | — | (\$3,039) | (\$9,117) | (\$9,117) |
| 5 | \$7,825 | \$2,608 | — | (\$2,608) | (\$7,825) | (\$8,347) |

1. Values assume a \$100,00 single premium based on NAC BenefitSolutionsSM 10 allocated to the Fixed Account with 3% interest credited in all years and an initial Index Value of the Market Value Adjustment External Index equal to 3.25% on the issue date.
2. The effect on the values of the Contract you purchased may differ from those reflected in this table. Refer to your Contract for details.
3. The 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 Market Value Adjustment Formula

The Market Value Adjustment 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

$$(i_0 - i_t - 0.005) \times (T)$$

i_0 = 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 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.

* Formula varies by state, see your contract for details.

Sample Calculation

Assume a \$100,000 single premium in the NAC BenefitSolutions 10-year Fixed Index Annuity¹ contract grows to an Accumulation Value of \$115,927 in five years. Upon full surrender at the end of the fifth contract year, a Market Value Adjustment would be applied. This hypothetical example assumes that the Index Value of the Market Value Adjustment External Index on the issue date was 3.25%, a 10% penalty-free partial surrender of \$11,593 is available, no withdrawals have been taken since the contract was issued, and an 8% surrender charge would apply.

| If the Index Value of the Market Value Adjustment External Index changes from 3.25% to: | | |
|---|---|---|
| Index Value for the MVA External Index on the date of full or partial surrender | 2.25% | 4.25% |
| Market Value Adjustment Formula | $(0.0325 - 0.0225 - 0.005) \times 5 = 0.025$ | $(0.0325 - 0.0425 - 0.005) \times 5 = -0.075$ |
| Accumulation Value | \$115,927 | \$115,927 |
| 10% Penalty-Free Withdrawal Amount | \$11,593 | \$11,593 |
| Market Value Adjustment | $(\$115,927 - \$11,593) \times 0.025 = \$2,608$ | $(\$115,927 - \$11,593) \times -0.075 = -\$7,825$ |
| Accumulation Value plus Market Value Adjustment | \$118,536 | \$108,102 |
| Surrender Charge | \$8,347 | \$8,347 |
| Surrender Value** | \$110,189 | \$99,756 |

** 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.

It is not the intent of North American Company for Life and Health Insurance®, this flyer, or your representative to give tax advice. Consult your personal tax advisor on specific points of importance to you. The NAC BenefitSolutionsSM is issued on form NA/NC1006A (certificate/contract), AE560A, AE561A, AE563A, AE564A, AE565A, AE567A, LR427A, and LR433A (riders/endorsements) or state variation by North American Company for Life and Health Insurance, West Des Moines, IA. This product, its features and riders may not be available in all states.

1. Fixed Index Annuities are not a direct investment in the stock market. They are long term insurance products with guarantees backed by the issuing company. They provide the potential for interest to be credited based in part on the performance of specific indices, without the risk of loss of premium due to market downturns or fluctuation. They may not be appropriate for all clients.

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values generally decrease as the Market Value Adjustment External Index rises or remains constant. When the Market Value Adjustment External Index decreases enough over time, the surrender value generally increases.

The amount of Market Value Adjustment will never exceed the lesser of a) the total interest credited to the Accumulation Value since issue, less the sum of the absolute values of all Market Value Adjustments on prior partial surrenders (i.e. all adjustments positive or negative added together), or b) the applicable surrender charge.

The Market Value Adjustment External Index is defined in your annuity Contract.

HOW DOES THE MARKET VALUE ADJUSTMENT WORK?

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During the market value adjustment period, the Market Value Adjustment formula (see 2nd page) will be applied at the time your annuity is surrendered or if more than your penalty-free partial surrender amount is withdrawn.

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| Contract Year | 2% Decrease | 1% Decrease | 0.5% Decrease | No Change | 1% Increase | 2% Increase |
|---------------|-------------|-------------|---------------|-----------|-------------|-------------|
| 1 | \$3,000 | \$3,000 | \$3,000 | — | (\$3,000) | (\$3,000) |
| 2 | \$6,090 | \$6,090 | \$4,031 | — | (\$6,090) | (\$6,090) |
| 3 | \$7,376 | \$6,884 | \$3,442 | — | (\$6,884) | (\$7,376) |
| 4 | \$6,584 | \$6,078 | \$3,039 | — | (\$6,078) | (\$6,584) |
| 5 | \$5,738 | \$5,217 | \$2,608 | — | (\$5,217) | (\$5,738) |

1. Values assume a \$100,00 single premium based on NAC BenefitSolutionsSM 10 allocated to the Fixed Account with 3% interest credited in all years and an initial Index Value of the Market Value Adjustment External Index equal to 3.25% on the issue date.
2. The effect on the values of the Contract you purchased may differ from those reflected in this table. Refer to your Contract for details.
3. The 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 Market Value Adjustment Formula

The Market Value Adjustment 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

$$(i_0 - i_t) \times (T)$$

i₀ = 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 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.

* Formula varies by state, see your contract for details.

Sample Calculation

Assume a \$100,000 single premium in the NAC BenefitSolutions 10-year Fixed Index Annuity¹ contract grows to an Accumulation Value of \$115,927 in five years. Upon full surrender at the end of the fifth contract year, a Market Value Adjustment would be applied. This hypothetical example assumes that the Index Value of the Market Value Adjustment External Index on the issue date was 3.25%, a 10% penalty-free partial surrender of \$11,593 is available, no withdrawals have been taken since the contract was issued, and an 5.5% surrender charge would apply.

| If the Index Value of the Market Value Adjustment External Index changes from 3.25% to: | | |
|---|--|--|
| Index Value for the MVA External Index on the date of full or partial surrender | 2.25% | 4.25% |
| Market Value Adjustment Formula | $(0.0325 - 0.0225) \times 5 = 0.05$ | $(0.0325 - 0.0425) \times 5 = -0.05$ |
| Accumulation Value | \$115,927 | \$115,927 |
| 10% Penalty-Free Withdrawal Amount | \$11,593 | \$11,593 |
| Market Value Adjustment | $(\$115,927 - \$11,593) \times 0.05 = \$5,217$ | $(\$115,927 - \$11,593) \times -0.05 = -\$5,217$ |
| Accumulation Value plus Market Value Adjustment | \$121,444 | \$110,711 |
| Surrender Charge | \$5,738 | \$5,738 |
| Surrender Value** | \$110,189 | \$99,756 |

** 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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