

## Market Value Adjustments Checklist

Every effort has been made to ensure the accuracy of the information in this document. All parties should consult the Texas Insurance Code (TIC), the Texas Administrative Code (TAC), and other applicable laws.

### Important note:

Use in addition to, **not in lieu of**, appropriate product checklist, i.e. Variable Annuities Checklist, Individual Deferred Annuities Checklist, Universal Life Checklist, etc.

### Actuarial requirements - [28 TAC Section 3.4\(q\)](#) and [Section 7.18](#)

The filing must be accompanied with an actuarial memorandum which is prepared, dated and signed by a member of the American Academy of Actuaries and that includes the following information:

Page \_\_\_\_\_ Any formula or methodology used to determine the MVA.

Page \_\_\_\_\_ A statement as to whether the MVA will be based on the company's current guaranteed interest rate being offered on new premium; or 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.

Page \_\_\_\_\_ A statement indicating the conditions under which the MVA applies, including any limitations on the MVA period and whether the MVA coincides with an interest guarantee period, a surrender charge period, or some other time period.

Page \_\_\_\_\_ A statement of how the MVA formula applies to 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 triggers an identical dollar amount downward limitation on the MVA adjustment.

Page \_\_\_\_\_ An actuarial opinion stating that the MVA formula is expected to produce results reasonably similar to changes in the market value of the company's investments backing the contract. The opinion shall also state that the company's investments backing the contract, including the MVA feature, are appropriate considering any index used and confirming that this opinion is based on the actuary's review of the company's documented investment policy as it relates to annuities with an MVA feature.

Page \_\_\_\_\_ An example showing the derivation of the MVA 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.

Page \_\_\_\_\_ A description of any elements used in determining the MVA, 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.

Page \_\_\_\_\_ A demonstration that the values of the contract, after application of any MVA, complies with the [TIC Chapter 1107](#).

- For the purpose of the retrospective test, the unadjusted guaranteed cash value (or the guaranteed cash value resulting from using an MVA formula with an MVA amount of zero) shall be at least as great as that determined under the retrospective test specified in the [TIC Section 1107.057](#). The guaranteed cash value after the adjustment of the MVA may never be less than the standard nonforfeiture law minimum value.
- For the purpose of the prospective test, the unadjusted guaranteed cash value (or the guaranteed cash value resulting from using an MVA formula with an MVA amount of zero) shall be at least as great as that determined under the prospective test specified in the [TIC Section 1107.103](#). The guaranteed cash value after the adjustment of the MVA may never be less than the standard nonforfeiture law minimum value.

Page \_\_\_\_\_ When the MVA assets are held in the general account, an actuarial certification that any market value adjustment, after application of any surrender charge, will provide a floor no than the nonforfeiture retrospective test under the [TIC Section 1107.057](#).

### **Required provisions - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)**

Page \_\_\_\_\_ The contract must prominently state on its face page that the amounts payable under the contract are subject to a market value adjustment prior to a date specified in the contract. The operation of the market value adjustment formula may result in both upward and downward adjustments in partial withdrawals, surrender benefits, or amounts available for annuitization, as applicable.

Page \_\_\_\_\_ A clear description of what point(s) in time and/or under what conditions the market value adjustment will be applied.

Page \_\_\_\_\_ A description of the market value adjustment formula and how it is applied to the cash value of the policy. The formula must reflect the formula in the actuarial. Any adjustment to reflect charges may not exceed 25 basis points.

Page \_\_\_\_\_ The 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.

### **MVA assets held in a separate account - [TIC Chapter 1152](#)**

**Note:** [TIC Section 1152.055](#). Guaranteed Benefits and Money Restriction for Separate Accounts.

A domestic insurance company may not maintain a reserve for a benefit guaranteed as to dollar amount and duration or funds guaranteed as to principal amount or stated rate of interest in a separate account except with the commissioner's approval and under conditions for investments, and

other matters, that recognize the guaranteed nature of the benefits provided and that are prescribed by the department.

**Note:** Reference to a non-unitized separate account is acceptable for market value adjustment contracts.

**Filing requirement** - [28 TAC Section 3.6\(d\)](#)

Page \_\_\_\_\_ Specify whether or not assets are held in a separate account.

**Required provision** - [TIC Section 1152.204\(b\)](#)

Page \_\_\_\_\_ The contract must prominently state on the face page that the nonforfeiture values may increase or decrease based on the market-value formula specified in the contract.

**Reserve liability** - [TIC Section 1152.106](#)

Page \_\_\_\_\_ The reserve liability for a variable contract must be established under actuarial procedures that recognize: (1) the variable nature of the benefits provided; and (2) any mortality guarantees.