

VANGUARD VARIABLE ANNUITY

M&E INCREASE FAQ

As a valued Vanguard Variable Annuity customer, Transamerica is proud to offer you a solution designed to help meet your financial planning needs. For many years, we've consistently worked with Vanguard to maintain a low-cost, competitive annuity. Your confidence in a strong financial future is important to us.

At Transamerica, we examine our contracts regularly to ensure pricing is appropriate for the policy benefits and economic conditions. In 2018, along with Vanguard, we implemented a .02% reduction in the policy Mortality and Expense (M&E) charge.¹ As a result of a recent internal review, Transamerica now finds it necessary to move the policy M&E fee to .20%. We feel that it is important to point out to you that by contract, this fee will not be raised further. On **January 10, 2022**, this change will go into effect.

Please review your Vanguard Variable Annuity Policy Prospectus for more details. It outlines a Base Contract Expense, also referred to as an M&E charge.

Q1. Why is Transamerica increasing the M&E charge?

A. We examine our contracts regularly to ensure pricing is appropriate for the policy benefits and economic conditions. In 2018, along with Vanguard, we implemented a .02% reduction in the policy Mortality and Expense (M&E) charge.¹ As a result of a recent internal review, Transamerica now finds it necessary to move the policy M&E fee to .20%.

The Vanguard Variable Annuity continues to provide customers value as a low-cost variable annuity solution.

Q2. What is an M&E charge?

A. The M&E fee is a charge collected by insurers for bearing certain mortality and expense risks under the policy (e.g., the risk that policyholders have annuitized their contract live longer than expected and thus receive more payments than expected, or the risk that administrative expenses are higher than expected). It's assessed daily based on the net asset value of each subaccount.

Q3. When does this M&E charge increase go into place?

A. The M&E charge adjustment begins January 10, 2022.

Q4. When I purchased this policy, I wasn't aware that an increase could occur. Can you explain?

A. Your Prospectus contains provisions that cover how much can be charged for certain fees. The registration terms for this product state your M&E fee cannot exceed .20%.

Q5. How does this M&E charge compare to other annuity products?

A. The Vanguard Variable Annuity continues to provide significant value as an overall low-cost variable annuity solution. The annuity industry average expense ratio, which includes base contract expenses and underlying fund fees, is 2.18%.² In comparison, the Vanguard Variable Annuity will have an average expense ratio of 0.51%, effective January 10, 2022.

Q6. Does this M&E charge increase affect any other aspects of the annuity contract?

A. No. The benefits of your annuity remain the same and the other aspects of your policy will not change.



Q7. I still have specific questions about this M&E fee increase; who should I contact?

A. Please give us a call at 877-271-7604, Mon – Fri 9 a.m. – 5:30 p.m. ET.

¹The M&E fee is charged by insurers for bearing certain mortality and expense risks under the policy (e.g., the risk that policyholders that have annuitized their policy live longer than expected and thus receive more payments than expected, or the risk that administrative expenses are higher than expected). It's assessed daily based on net asset value of each subaccount.

²Source: Morningstar, Inc., as of December 2020.

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