

Participating Policies Frequently Asked Questions (FAQ)



NASSAU RE

The following FAQ is designed to provide answers to general questions about Nassau Life Insurance Company (formerly Phoenix Life Insurance Company) participating policies and more specific questions about the 2020 policy dividend scales. Most participating policies are in the “closed block,” which was created in conjunction with the company’s demutualization in June 2001. The “open block” contains a small number of participating policies that were purchased after the demutualization. Participating policies in the closed block and open block are managed separately and have their own policy dividend scales.

1. What is happening to the policy dividend scales in 2020?

- Nassau Life Insurance Company is changing the policy dividend scale for 2020 for all “closed block” participating policies purchased before our June 2001 demutualization. We are also changing the dividend scale for the small number of participating policies in the “open block” (purchased after demutualization).
- The dividend interest rate is increasing by 0.30%, and there are some modest adjustments to mortality dividends.
- As a result, most policyholders will see an increase to the dividend paid in 2020 compared to the dividend paid in 2019, reflecting a higher dividend interest rate as well as growth in the value of their policy.
- As always, the amount of dividend paid is based on a number of factors including product type, age at issue, length of time the policy has been in force, gender, and health when the policy was issued.
- Some policyholders will see a decrease for reasons including loan balances or loan interest rates that affect the size of the dividend paid.
- The average dividend interest rate will be 4.80% in 2020, with a policyholder’s actual dividend interest rate subject to specific policy terms.
- Overall, Nassau Life Insurance Company projects it will pay its participating policyholders approximately \$120 million in dividends in 2020.

2. What is the average dividend interest rate for 2020, and how is it set?

- The average dividend interest rate for 2020 is 4.80%.
 - The policyholder’s actual rate will vary depending on the product type, product series and loan rate basis.
 - A portion of the dividend is based on the difference between the dividend interest rate and the guaranteed interest rate, both of which can vary by product and, in some instances, duration.

- It is important to remember that the dividend interest rate is only one factor in the calculation of the dividend paid on any particular policy.

3. Can you explain the relationship between the dividend interest rate and the guaranteed interest rate and how this is used in the calculation of the dividend?

- Whole life policies guarantee an increase in cash value that varies by type of policy. The guaranteed interest rate for the policy is a component of the dividend interest rate. Example:

Dividend interest rate	4.80%
Guaranteed interest rate	4.00%
Dividend payment	.80% of the guaranteed cash value adjusted for mortality and other factors

- Note that the 4.80% dividend interest rate and 4.00% guaranteed interest rate are examples and not for specific policy illustration purposes. Actual values vary based on the product type, product series and loan rate basis.
- It is also important to note that dividends are not guaranteed.

4. How do Nassau Life Insurance Company’s dividend interest rates compare to other companies?

- We provide the average dividend interest rate as a reference point. It is not a perfect metric to use for comparing companies since companies can have different underlying assumptions. However, it is the only one that is publicly available and can be useful in gauging general industry trends. Each company’s dividend scale calculation is proprietary.

5. Which types of policies will see an increase in dividend payments in 2020 versus those that will see a decrease?

- Because we are maintaining the dividend scales for the closed block and open block, many policyholders will see an increase to the dividend paid in 2020 compared to the dividend paid in 2019, reflecting growth in the value of their policy.
- However, some policyholders will see a decrease. These include policyholders with loan balances or loan interest rates that affect the size of the dividend paid.
- As always, the amount of dividend paid is based on a number of factors including product type, age at issue, length of time the policy has been in force, gender, and health when the policy was issued.

6. My 2020 dividend is lower than my 2019 dividend. Will the change happen all at once or be phased in?

- For some policies, there will be adjustments in 2020 to allow larger decreases to be phased in over multiple years. The base policy unit dividends in 2020 will be at least 60% of their 2019 level, prior to any adjustments for loans. For policies that have dividend changes that result in dividends below this floor, the full impact of the 2020 dividend scale will be applied in future years.
- (if asked) To determine whether a specific policy is affected by this adjustment, we will need to run an illustration and conduct an analysis. This a manual process, so it will take a few weeks to get the information to you.

7. Are there any changes to OptionTerm?

- Optionterm rates remain unchanged. They have not changed since 2011.

8. How have the investments inside the closed block been performing?

- The investment strategy for the closed block reflects the long-term nature of the closed block, so it is focused primarily on intermediate and long-term investment grade bonds including corporate and structured bonds. The prolonged low interest rate environment has reduced yields as we reinvested a portion of the fixed income portfolio each year. The closed block also has a small percentage invested in equity related assets that have performed well in the last several years.
- Despite the challenging interest rate environment, we were able to increase the dividend interest rate for 2020 based on favorable experience of the closed block.

Please contact us at 800-628-1936 with any questions about your clients' policies. You may also find helpful information in the "News" section of our producer website, www.salesnet.nsre.com.