

2023 Policy Dividend Scales

PARTICIPATING POLICIES

FREQUENTLY ASKED QUESTIONS



NASSAU

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 2023 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 2023?

- Nassau Life Insurance Company is changing the policy dividend scale for 2023 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 changes include a 0.50% (50 bps) dividend interest rate increase across the board, driven by strong investment performance.
- As a result, most policyholders will see an increase to the dividend paid in 2023 compared to the dividend paid in 2022, reflecting this higher rate as well as growth in the value of their policy.
- The average dividend interest rate will be 4.90% in 2023, with a policyholder’s actual dividend interest rate subject to specific policy terms.
- We are also making adjustments to mortality dividends based on recent experience.
- 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 mortality, loan balances or loan interest rates that affect the size of the dividend paid. However, a policy’s 2023 dividend will be at least equal to 75% of the 2022 dividend, prior to loan adjustments (known as “pegging”).

What is the average dividend interest rate for 2023, and how is it set?

- The average dividend interest rate for 2023 is 4.90%.
- 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	4.90%
Guaranteed interest rate	4.00%
Dividend payment	0.90% of the guaranteed cash value adjusted for mortality and other factors

- Note that the 4.90% 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.

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

- Nassau cannot provide the dividend interest rates for other companies. However, we provide policyholders with our average dividend interest rate as a reference point. Keep in mind, it is not a perfect metric to use for comparing companies since companies can have different underlying assumptions.

5 Will all policyholders see an increase in dividend payments in 2023?

- Because the 2023 scale will incorporate a dividend interest rate increase of 0.50% applied across the board, most policyholders will see an increase to the dividend paid in 2023 compared to the dividend paid in 2022, reflecting this higher rate as well as growth in the value of their policy.
- In addition to the interest rate increase, we are also making changes to the mortality component of the dividend, based on recent experience.
- 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. The mortality changes could, in some instances, result in an overall decrease in the 2023 dividend as compared to the 2022 dividend.
- Some policyholders will see a decrease for reasons including loan balances or loan interest rates that affect the size of the dividend paid. However, a policy's 2023 dividend will be at least equal to 75% of the 2022 dividend, prior to loan adjustments (known as "pegging").

6 My client's 2023 dividend is lower than their 2022 dividend. Will the change happen all at once or be phased in?

- For some policies, there will be adjustments in 2023 to allow larger decreases to be phased in over multiple years. The base policy unit dividends in 2023 will be at least 75% of their 2022 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 2023 dividend scale will be applied in future years.
- To determine whether a specific policy is affected by this adjustment, we will need to run an illustration and conduct an analysis. This is a manual process, so it will take a few weeks to get the information to you.

7 Are there any other changes being made in 2022 that will affect policyholders?

- Yes. The termination dividends will be increased by 16%.
- The termination dividend is an additional dividend traditionally added to the death benefit payout or when a policy is surrendered or matures. It is not guaranteed under any policies' terms.

8 Are there any changes to OptionTerm?

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

9 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. The equity related assets had strong returns over the last couple years, more than offsetting the lower fixed income returns.

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.nfg.com.

Guarantees are based on the claims-paying ability of Nassau Life Insurance Company (East Greenbush, NY), a subsidiary of Nassau Financial Group.

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