2027 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 2027 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 2027?

- Nassau Life Insurance Company is changing the policy dividend scale for 2027 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 2027 scale will incorporate a dividend interest rate reduction of 0.25% (25 bps) across all products, based on recent investment performance and projected interest rates.
- The average dividend interest rate will be 4.30% in 2027, with a policyholder's actual dividend interest rate subject to specific policy terms.
- 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.
- In addition to the dividend interest rate, policyholders may see a change for reasons including mortality, loan balances or loan interest rates that affect the size of the dividend paid. However, a policy's 2027 dividend will be at least equal to 75% of the 2026 dividend, prior to loan adjustments (known as "pegging").

2 What is the average dividend interest rate for 2027, and how is it set?

- The average dividend interest rate for 2027 is 4.30%.
  - 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	4.30%
Guaranteed interest rate	4.00%
Dividend payment	0.30% of the guaranteed cash value adjusted for mortality and other factors

- Note that the 4.30% 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 a decrease in dividend payments in 2027?

- Because the 2027 scale will incorporate a dividend interest rate reduction of 0.25% across all products, most policyholders will see a decrease to the dividend paid in 2027 compared to the dividend paid in 2026. In some cases, growth in the value of their policy may offset the decrease.
- In addition, a policy's 2027 dividend will be at least equal to 75% of the 2026 dividend, prior to loan adjustments (known as "pegging").
- 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 client's 2027 dividend is lower than their 2026 dividend. Will the change happen all at once or be phased in?

- For some policies, there will be adjustments in 2027 to allow larger decreases to be phased in over multiple years. The base policy unit dividends in 2027 will be at least 75% of their 2026 level, prior to any adjustments for loans.
- 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 2027 that will affect policyholders?

- Yes. The termination dividends will be decreased by 17%
- 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.
- Because we reinvest a portion of the fixed income portfolio each year, the prolonged low interest rate environment has reduced yields. With the recent improved rate environment, however, higher yielding reinvestments are expected to increase the portfolio yield over time.
- The closed block also has a small percentage invested in equity related assets. These assets may have short-term volatility but are expected to provide enhanced return in the long term.

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