



A Simplified Look at How the Dividend Interest Rate is Applied

Whole Life Insurance and the Dividend Interest Rate

Each year, Massachusetts Mutual Life Insurance Company (MassMutual®) declares a dividend interest rate that is a key component used to calculate dividends paid in the next calendar year. The following explains the basics of dividends and provides a simplified version of how that dividend interest rate is applied to the cash value each year.

MassMutual's participating whole life policies have a guaranteed cash value that increases each year. In addition, these policyowners are eligible to receive policy dividends. Dividends and the dividend interest rate are determined annually, are subject to change and are not guaranteed.

Three Components of Dividends

Guaranteed premiums and cash values for MassMutual's whole life insurance policies are primarily based on assumptions regarding future investment results, mortality (death claims) and expenses. These assumptions are deliberately conservative in nature. As a result, dividends may be paid when MassMutual's actual experience is better than what was assumed when establishing the guaranteed elements of a policy.

Although dividends are not guaranteed, MassMutual has paid them every year since 1869.

The Dividend Interest Rate

The dividend interest rate includes both the guaranteed interest rate for the policy and the rate applied to determine the investment component of the dividend. The 2022 dividend interest rate is 6.00%. The guaranteed interest rate for MassMutual Whole Life Series policies ranges from 2.00% – 3.75%. This means the interest component of the dividend is based on the current dividend interest rate minus the guaranteed interest rate (for example, 6.00% - 3.75%).

The example on the following page shows how the total cash value increases for a specific policy from 2021 to 2022. This simplified explanation should give you a better idea of how the 6.00% dividend interest rate is applied.

The results shown are based on the actual experience of the company over the period of time, mainly with respect to investment returns, mortality and expenses. Dividends paid in future years will be lower or higher than illustrated, depending on MassMutual's actual experience.

How is the Dividend Interest Rate Applied?

The Example

Let's look at a historical example of a participating whole life insurance policy. In this case, we'll use a MassMutual Whole Life 100 policy purchased in 2012 by a 35-year-old man who qualified for our best rates. The initial death benefit was \$250,000, and the premium was \$2,803 a year. The owner elected to use any dividends received to purchase additional paid-up whole life insurance each year. He did not take any loans or surrenders from his policy.

His total cash value increased \$3,881 from his 2021 policy anniversary to his 2022 anniversary. This increase includes both the guaranteed cash value increase as well as the annual dividend.

The Calculation

To calculate the total cash value increase we'll use:

- 2021 Ending Policy Cash Value: **\$23,606**
- Annual premium: **\$2,803**
- Dividend interest rate: **6.00%**
- Mortality/Expenses/Other Charges: **\$478**

Using these values the simplified version of the cash value increase looks like the equation to the right:

2021 Ending Policy Cash Value	\$23,606
Annual Premium	+ \$ 2,803
Mortality/Expenses/Other Charges	- \$ 478
	\$25,931
Dividend Interest Rate	x 6.00%
	\$ 1,556
	+ \$25,931
2021 Ending Policy Cash Value	\$27,487

Summary

For the purposes of this discussion, we have simplified some steps to give you a basic idea of how the dividend interest rate is applied to calculate the annual cash value increase for MassMutual participating whole life policies. Policy annual statements will not show the cash value increase calculations, and the values may be presented differently.

Other life insurance companies may quote and apply dividend interest rates differently. The dividend interest rate is not the rate of return on the policy. Dividends consist primarily of an investment component, a mortality component and an expense component. Therefore, dividend interest rates should not be the sole basis for comparing insurers or policy performance. Additionally, dividends for a given policy are influenced by such factors as policy series, issue age, gender, underwriting class, policy year and policy loan rate, as well as changes in a company's experience.

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Since 1851, our business decisions have been guided by our customers' needs. Today, we offer a wide range of financial products and services to help people secure their future and protect the ones they love.

Learn more at www.MassMutual.com.

The products and/or certain features may not be available in all states. State variations will apply.

Whole Life Legacy series policies ((Policy Forms: MMWL-2018 and ICC18-MMWL in certain states, including North Carolina)/ (MMWLA-2018 and ICC18-MMWLA in certain states, including North Carolina)) and MassMutual Whole Life series policies on the Coverpath platform (Policy Forms: WL-2018 and ICC18WL in certain states, including North Carolina) are level-premium, participating, permanent life insurance policies issued by Massachusetts Mutual Life Insurance Company (MassMutual), Springfield, MA 01111-0001.

