



## 2019 Dividend Scale Q & A

### **I received my Policy Annual Statement and it mentioned the dividend scale has changed. What does that mean?**

Your life insurance policy is eligible to receive dividends as described in your policy contract. The dividend scale formula uses many factors, which are based on the experience of dividend-eligible policies to arrive at a final dividend amount. As a result, Principal Life changed the dividend scale to reflect our actual experience for those policies. This means dividends credited to policies in 2019 may be different than what was previously projected.

### **What factors are included in the dividend scale?**

The dividend formula uses many factors to arrive at a final dividend amount. The main factors that usually have the most impact on dividends include, but are not limited to:

- Investment returns on the assets supporting dividend-eligible policies
- Mortality experience (the number of dividend-eligible policies which had death claims paid by the company)
- Lapse experience (the number of dividend-eligible policies which terminated)

For this year, the Corporate Tax Reform Law changes, and lower investment returns caused by the continued low interest rate environment had the largest impacts on the dividend scale.

### **What is the impact of the dividend scale on affected policies?**

Similar to previous years, some policies will receive a higher dividend, some policies will receive a lower dividend, and some policies will see no change in dividends this year. Upon request, we can provide you with a current illustration of your policy based on the current dividend scale.

### **Why wouldn't the dividend scale impact all policies in the same way?**

Different types of policies can have certain characteristics which could result in positive or negative impacts to calculated dividends. Policy characteristics include, but are not limited to, things such as:

- Product type
- Age and gender of the insured



- Risk classification of the policy (Standard, Preferred, Substandard, Smoker/Nonsmoker etc.)
- Adjustments or transactions which have been processed on the policy, such as:
  - Face amount changes
  - Premium changes
  - Dividend option changes
  - Unscheduled premiums paid
  - Partial surrenders of cash value from the policy
- Amount of paid-up additional insurance in the policy
- Policy loan indebtedness

**I saw a decrease in my dividend compared to last year. What caused this?**

The dividend scale change affects different policies in different ways based on each policy's characteristics. The dividend scale that became effective February 1, 2019 reflected the actual experience of all policies eligible to receive dividends. The experience of those policies did not meet expected results in several areas, including but not limited to investment returns, mortality experience (the number of death claims paid) and lapse rates (the percentage of policies that terminated) for dividend-eligible policies.

Interest rates in the investment marketplace increased during 2018 but are still lower than historical averages. This experience was a factor which caused the 2019 dividend for your policy to be lower than the 2018 dividend. Dividends credited to your policy in the future, if any, may change as our experience related to investment returns and other factors change. Please remember, dividends are not guaranteed.



### **Will I continue to see future decreases in my policy dividend?**

There is no way for us to predict what future dividends will be for your policy. However, if you would like, we can provide you with an illustration of your policy based on the current dividend scale. We will continue to review the dividend scale each year and compare actual results to what was expected, and we will make adjustments to the dividend scale as needed to reflect the actual experience of all dividend-eligible policies. Please remember, dividends are not guaranteed.

### **What is the current interest rate for my policy dividends?**

The interest rate component used to calculate the dividends of a dividend-eligible policy is not the same thing as, or comparable to, an interest crediting rate on a Universal Life policy, or an assumed rate of return on a Variable Life policy, or the return on other financial instruments such as bank CDs. The interest rate component of the dividend formula varies and is not guaranteed. As a reminder, the interest rate is just one component of the dividend formula, and by itself, it cannot be used to calculate or predict future dividends or policy performance.

Principal National Life Insurance Company and Principal Life Insurance Company. Principal National (except in New York) and Principal Life are issuing insurance companies of the Principal Financial Group®, Des Moines, IA 50392.

BB12273 | 12/2018 | 686777-122018