

Dividend Scale Interest Rate



Insurance



Does a higher Dividend Scale Interest Rate make for a better product? It's not as simple as that.

Don't mistake Dividend Scale Interest Rates (DSIR) for the growth rate on **RBC Growth Insurance** and **RBC Growth Insurance Plus** policies. It's inaccurate and can mislead your clients.

- **What the DSIR isn't:** The % growth rate applied to personal whole life policies.
- **What the DSIR is:** The annual interest rate used to calculate the investment component of the Dividend Scale. **It may be higher — or lower — than the market yield.**

From premiums to dividends — and the role of Dividend Scale

1 Policy premiums are invested

The collective premiums of all policyholders funding the participating account are invested by the RBC Insurance investment team.

2 Each year, we review the Dividend Scale

The Dividend Scale is a formula which ensures dividends are distributed fairly and equitably with all policyholders. RBC Insurance manages the participating account to ensure our contractual commitments to policyholders are met. Each year, we review the experience related to investments, expenses, utilization of cash value (such as borrowing from a policy, or surrendering coverage), death benefits paid to beneficiaries and taxes. We compare the experience with what we expected and make any necessary adjustments to the Dividend Scale to share the earnings with participating policyholders.

3 Dividends are then distributed

On the policy's anniversary, dividends are distributed to policyholders based on the method selected by the policy owner. The dollar amount of the dividend payable is determined by the **Dividend Scale** formula.

The growth rate on these dividends is not the DSIR

DSIR takes into account factors beyond investment yield, including the accumulated experience gains or losses since the last Dividend Scale update and future expected returns.

DSIR is an important factor in the growth rate — **but not the only factor**. The actual growth rate depends on:

- the DSIR on the dividend distribution date
- the interest rate used to price the premiums
- current individual policy reserve based on such attributes as:
 - premiums paid to date
 - coverage amount
- Investments
- Mortality
- Expenses
- Other factors

Gains may be passed back to participating policyholder dividends when the investment experience is better than expected, and the remaining experience related to the other components of the Dividend Scale are lower than expected. Losses may be passed back when the opposite is true.

Smoothing techniques spread out gains and losses over multiple years to reduce volatility to participating dividends.

To better understand how the Dividend Scale is calculated and the DSIR's role in it, please see the infographic [found here](#).

Key takeaways

Dividend Scale Interest Rate (DSIR) and growth rate are not the same thing.

- The DSIR is applied when calculating **the investment component** of the Dividend Scale.
- The DSIR is the annual interest rate used to calculate the investment component of the Dividend Scale, which determines an individual policy's dividend amount

The Dividend Scale is not guaranteed and can change every year.

- Dividend payments may increase or decrease as a result of past experience and future outlook related to the components of the Dividend Scale
- The Dividend Scale will increase or decrease depending on:
 - the performance of the participating account
 - the DSIR on the policy's anniversary date

Learn more

Be sure to read upcoming announcements beyond Dividend Scale Interest Rates to understand changes to the DSIR.

For more information, please call your RBC Insurance Sales Consultant at 1-866-235-4332, or visit:

<https://www.rbcinsurance.com/participatinglife>

