



# What is a Dividend?

A dividend is a return of premium. Premiums for a dividend-paying Whole Life policy are determined using conservative mortality, interest and company expense assumptions. The Lafayette Life Insurance Company (Lafayette Life) board of directors, when reviewing the company's operating results each year, may declare a dividend when the operating results are better than these assumptions. Dividends are not and cannot be guaranteed.

## How does Lafayette Life determine the dividend scale?

The dividend scale determines how the dividends will be allocated to each policy. This allocation is determined annually by a number of factors. Lafayette Life's Dividend Scale is set annually based on:



### INTEREST FACTOR

The company's investment earnings in excess of the guaranteed rate, calculated on the reserves backing the policy values.

### MORTALITY FACTOR

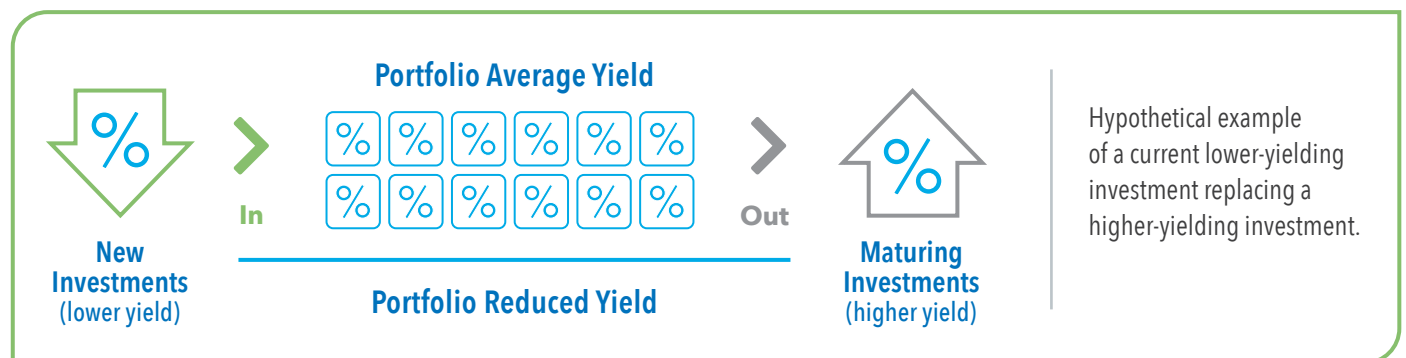
The difference between the guaranteed mortality assumed in the policy premium and actual experience.

### EXPENSE FACTOR

The difference between expenses assumed in the policy premium and actual expenses.

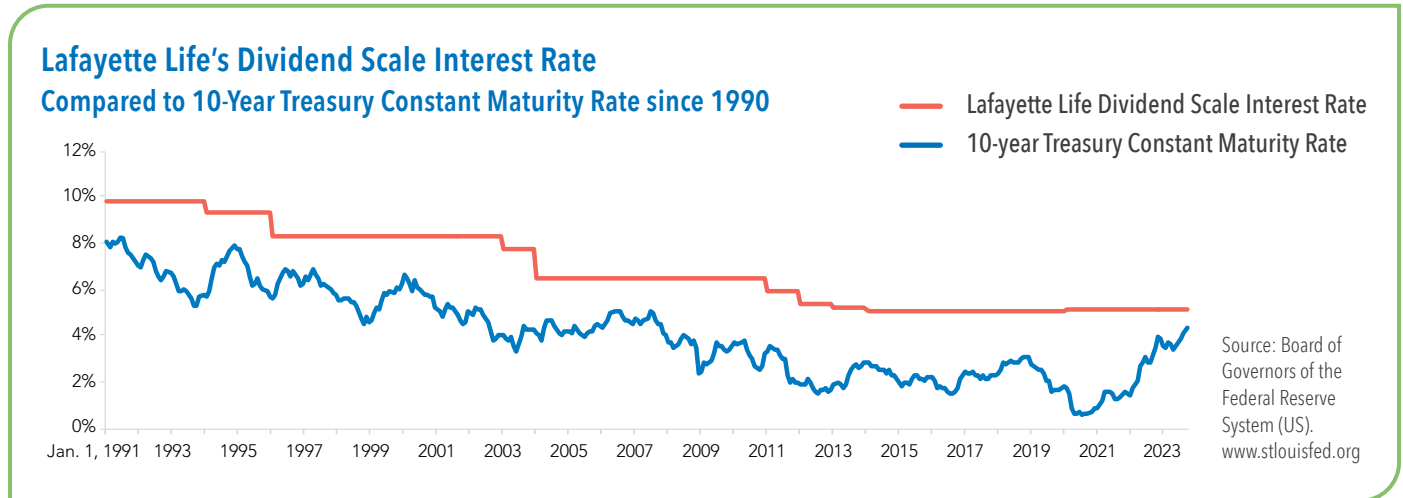
## How is the dividend scale interest rate calculated?

The interest rate used in the dividend calculation is based upon the average yield of all investments within Lafayette Life's portfolio. The dividend scale interest rate is not a rate of return the policy owner will earn and cannot be calculated by comparing the premiums paid into a policy to the policy's cash value and dividends. The average yield on Lafayette Life's portfolio changes as one investment block matures and is replaced with a new investment block with a current market rate yield. Depending on if the yield of the new block is higher or lower than the matured block it replaced, the total average portfolio yield will increase or decrease.



## Lafayette Life's dividend scale interest rate

Lafayette Life has been able to maintain a high dividend scale interest rate compared to the 10-year treasury rate since 1990 due to the durations and credit quality of our investments in our portfolio. Interest rates have been at historically low levels for some time, which has reduced the yield on our portfolio and with it our dividend scale interest rate.



## Is there an industry standard for calculating the dividend interest rate?

There is NO industry standard for calculating the dividend scale interest rate. Lafayette Life's dividend scale interest rate is net of investment expenses and default costs, yet another company may show gross numbers in its rate. The dividend scale interest rate is only one factor used in the calculation, and if we don't know the other factors, it's not a very meaningful number for comparing the overall value of a product.

A higher dividend scale interest rate declared by a company may not translate into higher long-term cash value or death benefit. It is possible that a company with a lower declared dividend scale interest rate may have a higher dividend.



For more information, contact your financial representative today, or visit [LafayetteLife.com](http://LafayetteLife.com).

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