

Participating whole life: What it can and can't accomplish

By: Greg Meckbach, April 28, 2023

The DSIR — the rate used to calculate the part of the dividend attributable to investment returns — is not the same as the actual dividend. The dividend paid annually could be higher or lower than the investment returns in the participating accounts because the dividend scale is based on factors other than investment returns, said Jean Salvadore, senior director of life and living benefits with RBC Insurance. These factors could include mortality claims and expenses.

“We treat the dividend scale as kind of a comparison tool between different companies,” said David Benamron, executive vice president of insurance with Botica Financial Group in Montreal. **“When they say the dividend scale is 6%, that’s not what they’re paying [in dividends],” Benamron added. “It’s a black box that’s proprietary to each insurance company and their actuaries.”**

While none of these DSIRs are guarantees, Canadian life insurers have a long record of paying dividends on participating life; not paying a dividend would probably cause a life insurer to lose a lot of future business, Munier said. Nonetheless, **“if you’re a good advisor, you should show a less rosy picture of the future,” Munier said, adding that an advisor should model returns for clients that use a percentage point or two lower than the DSIR.**