Guaranteed Choice Whole Life

More Dividend Potential on Outstanding Loan Amounts

Strong Internal Rate of Return

Impact of Policy Loans on Dividend Scales

When a client takes a loan from a whole life policy, the loan amount is transferred from policy values to a policy loan account. Because these "pledged assets" are not available for investing, the company cannot earn market returns on them. If loan activity remains significant for an extended period, the reduction in portfolio earnings can negatively impact the interest component of the dividend scale.* The impact to clients when this occurs is determined, in part, by the approach the company uses to apply the reduction to the policies.

*Other factors that can cause dividend scale changes include variances in actual mortality, expense, or investment experience (due to factors other than loan activity) over what was expected.

Direct Recognition and Non Direct Recognition Approaches

Under the direct recognition approach used by Penn Mutual, reductions to the interest portion of the dividend scale, caused by loan activity, are applied only to the policies from which loans have been taken. Under a non-direct recognition approach the reduced interest portion of the dividend is applied to all policies – regardless of whether or not the policyholders have taken loans.

Most direct and non-direct recognition companies recoup some of their lost investment earnings by building in a margin on loans within the dividend scale. The margin is the difference between the loan charge rate and the interest rate used to determine the dividend on the outstanding loan amount. This margin can be as much as 2% in early policy years.

The Guaranteed Choice Whole Life Advantage

Although Penn Mutual uses the direct recognition methodology, our Guaranteed Choice Whole Life product offers a preferred loan provision. Under this provision, the margin built into the dividend to offset lost investment earnings on loan activity is reduced beginning in policy year 11. While the interest portion of the dividend remains less than it would be for a policy with no loan activity, the reduction is smaller.

The adjacent example demonstrates the direct recognition approach and the benefit of Penn Mutual's preferred loan provision in policy year 11.

	Years 1-10	Years 11+
Non-loaned dividend credited rate	6.34%	6.34%
Loaned dividend credited rate	4.35% **	5.00%
Combined dividend credited rate	5.94%	6.07%

Assumptions: Guaranteed Cash Value: $10,000; Loaned Value: $2,000; Rates are based on the 2017 dividend scale and adjustable loan rate and are subject to change.

** Reflects loan spread of 65 basis points in years 1-10

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Guaranteed Choice Whole Life is #1 for IRR on Cash Value

In addition to offering an attractive preferred loan provision, Guaranteed Choice Whole Life delivers an impressive Internal Rate of Return (IRR) on cash values and death benefit. In fact, Guaranteed Choice ranks #1 for IRR for many cases when no loans are taken. Even with loans taken over a period of years, the policy provides a strong IRR on cash value (after distributions) compared with leading non-direct recognition and direct recognition companies, New York Life and Guardian, respectively. This is indicated in the table below.

IRR represents the compounded interest rate the accumulated premiums would have to earn to achieve the cash value or death benefit. We believe measuring the IRR on the current/guaranteed death benefit and current/guaranteed cash value is the best way to evaluate product performance when comparing different variables.

Company	Product	Annual Premium	Cash Value Age 85	IRR Age 85
Penn Mutual	**Guaranteed Choice WL**	**$4,568**	**$130,898**	**3.67%**
Guardian	Whole Life 99	$5,055	$96,170	2.69%
New York Life	Whole Life	$4,965	$115,797	3.10%

Assumptions: Male, Age 45, Preferred Non Tobacco; Policy Payment Period of 55 years (paid up at age 100); 250,000 Death Benefit; Premiums paid for 20 years, 5,000 loans for 20 years. Dividends are used to purchase Paid-Up Additions until income is taken when the dividend option is switched to offset premiums. Comparison based on analysis of Penn Mutual and competitor illustrations and assumed to be accurate as of January 2017.

Best Value for Your Clients

While many companies promote their non-direct recognition approach, this structure does not necessarily provide the best value for all policyholders, especially those who do not have significant loans. Guaranteed Choice Whole Life not only offers an attractive dividend, but also provides strong guarantees and competitive illustrated IRR.

For more information about Guaranteed Choice Whole Life, please contact:

PennMutual®

The proceeding examples are for hypothetical illustrative purposes only.

Dividends are not guaranteed. All guarantees are based on the claims paying ability of the issuer.

Guaranteed Choice Whole Life is a whole life insurance policy offered by The Penn Mutual Life Insurance Company. Product or features may not be available in all states. Policy form numbers: ICC13-TL and TL 13. (Policy form numbers may vary by state.) Accessing cash values may result in surrender fees and charges, may require additional premium payments to maintain coverage and will reduce the death benefit and policy values.

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