WINGED KEEL GROUP®

Winged Keel Group Insights

Assessing the Impact of 2026 Dividend Crediting Rates on Whole Life Policies

Winged Keel Group Insights is a publication designed to educate and build awareness around life insurance topics and solutions that may address certain needs of your clients and their multidisciplinary goals.

Analyzing Rate Announcements and Optimizing Whole Life Policy Performance

After years of decline, whole life dividend crediting rates continue to trend upwards in 2026.

The five major mutual Whole Life ("WL") insurance companies have announced their 2026 dividend rates, with four of the five companies announcing increases (see below). With an increase of 25 basis points, Northwestern Mutual's rate is the highest it has been since it was 5.85% in 2012.

That said, given the sheer size of the general account portfolios, it would take several quarters of sustained higher new money rates before we are likely to see dividend crediting rates approaching pre-2010 levels.

The dividend crediting rate is only one component of the actual dividend credited to a policy, so an increased dividend crediting rate does not necessarily mean better policy performance.

While dividend crediting rates are trending upward, understanding how rate changes affect policy performance remains critical.

Depending on how the WL policy was designed and is being managed, and despite recent increases in dividend crediting rates, the prolonged period of dividend reductions may lead to any of the following adverse results for policyholders:

- Premium payments being required longer than originally expected
- Reappearing premiums for policies that no longer required cash premium payments
- Increased premiums for Term insurance riders
- Reduced current or long-term illustrated insurance benefits
- Illustrated policy terminations or significant cash outlays to maintain the policy if there are sizable policy loans outstanding
- Impaired policy performance due to large outstanding policy loans (fixed rate loans or adjustable-rate loans)

Insurance Company	2024 Dividend Rate	2025 Dividend Rate	2026 Dividend Rate
Guardian	5.90%	6.10%	6.25%
MassMutual	6.10%	6.40%	6.60%
New York Life	6.00%	6.20%	6.40%
Northwestern Mutual	5.15%	5.50%	5.75%
Penn Mutual	5.75%	6.00%	6.00%

Actionable Steps to Consider Now

- ✓ We strongly recommend that WL policyholders request current updated inforce illustrations from the issuing company reflecting the announced 2026 dividend rate and compare the results to prior inforce illustrations.
- ✓ Even if the insurance company's dividend rate increased (or remained the same), an updated inforce ledger is still recommended as other policy charges may have been adjusted or policy loan rates increased.
- ✓ Discuss the inforce illustration results with an insurance advisor to review additional options for managing the policy moving forward.

What Does the Dividend Crediting Rate Mean?

Policyholders sometimes mistake the dividend crediting rate for the rate of return on their policy—a common misconception of WL performance.

Insurance companies employ complex and varying methodologies to calculate the actual dividend derived from the crediting rate. The absolute number of the dividend crediting rate is somewhat meaningless as the dividend applied may be far less.

Simply put, a 6.00% dividend crediting rate does not equate to a 6.00% return on a policy's cash value. The more important consideration is whether the dividend rate increased or decreased from the previous year and how significantly.

Other Variables Impacting Policy Performance

Policy dividends are not the only drivers of WL policy performance.

Most WL policies issued by the five insurance companies listed above are issued with adjustable loan rates or the option for adjustable loan rates. As the name implies, the internal policy loan rate is adjusted at the sole discretion of the insurance company (subject to contractual maximums).

Generally speaking, these adjustable policy loan rates loosely track a major index such as the Moody's Corporate Bond Yield rate. These rates have been increasing at a greater rate than the policy dividend crediting rate. For a policy with an outstanding policy loan or expected future policy distributions, increases in the internal policy loan rate – even with an increase in the dividend scale – can result in policy performance that falls short of expectations.

In addition to the policy dividend crediting rate, WL policies are assessed mortality charges and other policy expense charges, just like any other insurance policy. However, unlike the more transparent Universal Life policy chassis, policy expenses are not explicitly stated. Rather, they are bundled into the policy performance results.

Insurance companies can also subsidize the announced dividend crediting rate by increasing internal policy charges, a practice we have seen in the past. When this happens, it may be possible that the illustrated policy performance is worse compared to the previous year, despite no change or even an increase in the announced policy dividend crediting rate.

Lastly, a WL policy issued with a Term insurance rider could see increases in the illustrated term charges compared to the prior year.

To further explore any of these factors, reach out to your Winged Keel Group relationship manager. For more information on Winged Keel Group, please visit our website at wingedkeel.com.