



## Dividends

**T**he United States Letter Carriers Mutual Benefit Association (MBA) offers life insurance products that provide many benefits to NALC members. In addition to providing valuable life insurance benefits upon the death of the insured, MBA products provide benefits while the insured is still alive. The MBA offers Whole Life products (MBA Life Paid Up in 20 Years, MBA Life Paid Up at Age 65, MBA Life Paid Up at Age 90, and Independence—Single Premium Whole Life) and a Term Life product (MBA 10-Year Renewable and Convertible Term Life), which pay dividends to the policy owner.

Beginning with the third policy year, MBA Whole Life and Term Life policies may be granted a dividend on the policy. The dividend is credited to the policy on the policy anniversary date. A dividend is defined as “the refund of that part of the premium which still remains at the end of the year after the company has set aside the necessary reserve and made deduction for claims and expenses.” Simply put, a dividend is a refund of the amount of money the insurance company did not need in order to provide the insurance. Because the dividend is a refund of part of the premium to the policy owner, dividends are not taxable income.

The MBA offers three options for the payment of dividends to the MBA policy owner. These options are cash, dividends on deposit, and life paid-up additions. A dividend is payable only if the insured is alive on the policy anniversary date.

- **Cash option:** The policy owner is issued a check each year on the policy anniversary date.
- **Dividends on deposit:** The dividend remains with the MBA and accumulates compound interest. A dividend notice is sent to the policy owner each time a dividend is granted. The notice states the previous balance of dividends, the current dividend granted, and the interest paid on prior year dividends. The dividend and its accumulated interest are available to the policy owner. At any time, the policy owner may request to be paid the dividends on deposit by mailing a signed written

request to MBA. The dividends on deposit are paid to the policy owner at the cancellation of the policy, or to the beneficiary in the event of the death of the insured.

- **Life paid-up additions:** This option is where the policy owner leaves the dividends with the MBA and each dividend is used to buy a single premium life insurance coverage for the insured, for whatever amount it will purchase. For example: A dividend of \$242.70 could purchase an additional amount of life insurance for an insured in the amount of \$809. This dividend option is available only on the Whole Life Insurance products. (It is not available on the MBA 10-Year Renewable and Convertible Term Life Insurance product.) Each year the additional amount of life insurance is added to the original face value (death benefit) of the policy. This is a very effective way of obtaining additional life insurance benefits at no additional cost to the policy owner. Like the dividends on deposit, the cash value of the life paid-up additions is always available to the policy owner. Should the owner decide that he or she no longer wants the additional insurance purchased with the funds, a written request must be sent to the MBA for the owner to receive the funds accumulated. For example, if the policy owner did not wish to have the additional \$809 worth of life insurance, he or she would receive the \$242.70 cash value of the insurance. If the policy owner decided to cancel the life insurance policy, the cash value of the life paid-up additions would be paid to the policy owner along with the cash value of the policy. In the event of the death of the insured, the face value of the life paid-up additions would be paid to the beneficiary, along with the original face value of the policy.

The MBA policy owner has the right to change the dividend option on his or her MBA policies. A written request must be submitted to the MBA office to change an option or receive a dividend payout. Upon receipt of the request, the MBA will send a confirmation letter to the policy owner. ☒