

# Whole Life Insurance hidden gems



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**W**hole Life Insurance policies are very popular plans of life insurance. This type of product provides protection for the entire lifetime of the insured. This protection is the opposite of a Term Life Insurance product, which provides protection for only a specified period of time. At a certain time, term policies expire and the insured is left with no life insurance coverage.

With a Whole Life Insurance policy, the policy owner pays premiums for a certain period of time. Examples of this are 20-Pay Whole Life (premiums are paid only for a period of 20 years), Whole Life Paid Up at Age 65 and Whole Life Paid

Up at Age 90. The policy owner is required to pay the premiums for the period he/she has chosen. At the end of that time, the whole life policy becomes fully paid up, and no further premiums will ever be due. The valuable life insurance protection remains in force for the rest of the insured's lifetime.

**There may come a time, before the policy is fully paid up,** when a whole life insurance policy owner either chooses not to pay the required premium or is unable to continue premium payments. At these times, the policy owner has options other than canceling the policy and losing the valuable life insurance coverage. These options include Extended Term Insurance and Reduced Paid-Up Life Insurance.

**Extended Term Insurance** allows for the same face value (death benefit) of the original whole life policy to be extended for a certain period of time, at no additional premium cost to the policy owner. The net surrender value of the whole life policy would be used as a single premium at the insured's attained age to determine the period to which the term insurance would be extended. For example, if the policy owner of a whole life policy that covered an insured for \$10,000 had a cash value of \$2,592.68, the length of time that the insurance would last would be until Jan. 11, 2028. This means that the insured would still have the life insurance coverage in the amount of \$10,000 until Jan. 11, 2028. If the insured died prior to that date, the beneficiary would receive the life insurance proceeds. After that date, the coverage would become null and void.

Generally, an Extended Term Insurance policy extends the face value at the current amount, but for a shorter period of time than the original contract. The Extended

Term Insurance will have a cash value, but no loan value. It may be surrendered at any time by the policy owner for its cash value.

**Reduced Paid Up Life Insurance** also allows for the continuation of the life insurance coverage without the paying of additional premiums; however, the face value (death benefit) of the original policy is reduced. The net surrender value of the whole life policy would be used as a single premium at the insured's attained age to determine the amount of reduced paid-up insurance. Using the example listed above, if the policy owner of a whole life policy that covered an insured for \$10,000 had a cash value of \$2,592.68, the face value (death benefit) would be reduced from \$10,000 to \$5,962. However, this coverage would remain in force for the insured's lifetime. Upon the death of the insured, the beneficiary would receive the life insurance proceeds.

Generally, a Reduced Paid Up policy reduces the face value to preserve the full insurance coverage period. The Reduced Paid Up insurance will have cash and loan values. It also may be surrendered by the policy owner at any time for its cash value.

Additionally, a policy owner who may not want to continue premium payments for a temporary period, but who does not want to change the policy from a premium-paying Whole Life product, has an Automatic Premium Loan option. Upon the owner's written request, the MBA will pay a premium payment that becomes due on the policy by making a loan against the cash value of the policy. The policy must have sufficient loan value to pay the applicable premium payment and loan interest. The current loan interest rate on the MBA's whole life policies is 8 percent. The loan may be re-paid to the MBA at any time. Also, the policy owner may resume premium payments at any time.

The MBA offers four Whole Life Products: the Independence (Single Premium Whole Life), the Life Paid Up in 20, the Life Paid Up at Age 65 and the Life Paid Up at 90. For a more detailed explanation of these Whole Life Insurance benefits, please contact the MBA office.

## Special thanks

**I would like to express my appreciation to the membership** for my re-election by acclamation as director of life insurance (MBA) at the NALC's 69th Biennial Convention. Your faith and support is truly a blessing. Providing service to the membership is the top priority.