

## Supporting and Helping Shareholders in Their Time of Need

Are you looking for a way to provide a benefit to your shareholders and support them during times of need? Many village corporations are offering shareholders a burial benefit or a life insurance policy

According to a LIMRA Life Insurance Barometer Study in 2013, 85% of consumers agree that most people need life insurance but only 62% say they have it.

One way to support your shareholders during times of need is with life insurance. A group life policy can help cover the costs of a funeral potlatch or burial ceremony. Any additional proceeds can also provide short term financial assistance for shareholders and their families.

There are a few different ways a native corporation may choose to provide this support to shareholders.

One approach is to provide a **cash benefit** to a shareholder's family in the event of death. On the surface this might seem like the easiest and most efficient approach. This method may be a quick way to provide a means for the family to cover final expenses, however it has a tax consequence to the individual receiving the funds. In addition, it may result in the need for the corporation to issue a form 1099 to the recipient. Using this method may also make predicting your costs slightly challenging unless you have historical data on the average number of shareholder deaths per year.

Another approach is a **reimbursement program** whereby the corporation reimburses the shareholders' family for funeral expenses when they provide receipts. There is typically a dollar cap on the reimbursement amount. This method can be more burdensome for the corporation to administer and requires the family to pay the funeral expenses up front; which may be a challenge for some. It may also have a tax consequence for the beneficiary. This would also require tracking historical data on the average number of deaths to predict your cost each year.

Some native corporations have purchased **individual life insurance policies** for their shareholders. This can be a great way to provide shareholders with a valuable benefit. Depending on the type of policy and coverage amounts purchased; predicting your overhead costs on an annual basis is easier with this method. Another potential advantage would be the ability to maintain a fixed premium that will remain unchanged for the duration of the coverage. There are, however, administrative issues to deal with. The shareholder needs to sign the application and complete the beneficiary designation form. This can be a very time consuming process. In some cases, language barriers may make this process challenging. Other considerations include the pricing and guaranteed issue amounts. An individual policy may require the insured to answer medical questions and certain medical conditions may cause a denial or a higher premium cost. Additionally, individual life policies provided by the corporation have a tax impact to the shareholder in that they are taxed on the imputed value of the premiums paid on their behalf. By doing this, the death benefit becomes a tax free distribution to the beneficiaries.

The final method we will discuss is a **group shareholder life policy**. A group policy typically costs less than purchasing individual life insurance for each shareholder and will not usually require the insured to answer medical questions. Because each native corporation is different, a group plan approach allows each to

have a benefit that fits it's unique needs. Depending on the carrier there are different ways to structure the group plan. Here are a few examples:

- **Burial Replacement Benefit:** Provides a flat amount to cover the costs of a burial and funeral ceremony/potlatch.
- **Loan Payoff Benefit:** May be available on a case-by-case basis to pay off any outstanding loans a deceased shareholder was liable for.
- **Flexible-funded Life:** Gives the native corporation options in how and when they pay for insurance.

Policies may be written with or without age reductions.

Some carriers offer a Shareholder Member Assistance Program to help them deal with life's challenges. This functions like an Employer Assistance Program (EAP) They can have counseling sessions by phone— at no charge. Experienced clinicians can quickly refer them to resources for issues such as depression, grief and loss, substance abuse, job pressures and relationship conflicts.

If shareholders want more coverage than the corporation's group plan offers, they may be able to purchase supplemental insurance. This additional coverage would be offered at group rates that may be lower than what they would find if they purchased it on their own.

To learn more about these options contact Terry Allard at The Wilson Agency at 907 277-1616 or [terrya@wilsonalbers.com](mailto:terrya@wilsonalbers.com)