Compensation for death and dismemberment

For the first time, the Bureau's Employee Benefits Survey reports on the details of accidental death and dismemberment benefits sponsored by employers

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With the potential for incurring lost wages and large medical bills, accidents can create severe financial hardships for employees. To address these risks, employers may include accidental death and dismemberment (AD&D) policies as part of an employee benefits package. In this regard, AD&D benefits are a common feature of life insurance plans.

In 1988, 92 percent of full-time employees in medium and large private firms participated in life insurance plans, and 76 percent of those workers had AD&D benefits. (Less than 0.5 percent of employees had AD&D coverage without regular life insurance.) Unlike life insurance, AD&D insurance provides payment only for losses resulting from an accident—usually for injuries occurring on or off the job. In instances of accidental death, benefits are paid in addition to regular life insurance coverage and, in the large majority of cases, are equal to the regular benefit. For this reason, AD&D is sometimes called a "double-indemnity" benefit.[1]

Data in this article are from the 1988 Bureau of Labor Statistics survey of benefits for full-time employees in medium and large private firms. Information was obtained from a sample of 2,500 establishments representing approximately 107,000 business establishments employing 31 million full-time workers.[2] Data are published for all types of workers combined and separately for three broad occupational groups: professional and administrative, technical and clerical, and production and service employees. The first two groups are often combined and labeled white-collar workers, in contrast to the blue-collar workers constituting the third group.

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How benefits are determined

Where AD&D coverage is provided, it is almost always a component of group life insurance. AD&D plans provide cash benefits to an employee in the case of dismemberment, such as the loss of a limb or an eye, and to a stated beneficiary in the case of death. Nearly all plan participants in the 1988 survey were covered for both accidental death and dismemberment; in a few cases, only accidental death was covered.

AD&D benefits are determined by the type of loss suffered. Plans generally specify a "principal sum" upon which benefits are based. This amount, usually equal to the amount of regular life insurance, will generally be paid for loss of life, both hands, both feet, the sight of both eyes, one hand and one foot, one hand and the sight of one eye, or one foot and the sight of one eye. One-half the principal sum will be paid for

loss of one hand, one foot, or the sight of one eye, and in some instances, for loss of speech or hearing. Some plans have a provision that will pay one-fourth of the principal sum for loss of the thumb and index finger of the same hand.

AD&D plans often include several limitations on benefits. First, the loss must occur within a specified period of time after the accident. The most common time period is within 90 days after an accident, but certain plans allow up to 365 days from the accident. Second, the total payment for all losses due to any one accident may not be more than the principal sum. For instance, if an employee were to lose both hands and the sight of one eye, the total benefit would equal, but not exceed, the principal sum paid for the loss of just both hands, or equivalently, one hand and the sight of one eye. Finally, benefits are paid only for a hand or foot that is severed at or above the wrist or ankle, and for loss of sight that is total and irrecoverable.

Under certain circumstances, benefits are not paid at all. Coverage is not provided for losses resulting from or caused directly or indirectly by bodily or mental infirmity, disease, or illness of any kind; suicide or attempted suicide while sane or insane; an infection, other than a pyogenic (pus-producing) infection of an accidental cut or wound; taking part in, or as a result of taking part in, the commission of a felony; any act of war; or death due to drugs, unless prescribed by a physician.

Private-sector survey findings

Since the inception of the Employee Benefits Survey in 1979, the incidence of both life insurance and AD&D benefits has been fairly stable.[3] (See table 1.) Blue-collar workers were the more frequent recipients of AD&D benefits, in part a reflection of provisions for these benefits in many major collective bargaining agreements. Another factor that may lead employers to provide AD&D benefits more frequently to blue-collar workers is the traditionally more hazardous nature of blue-collar work. Benefits generally are provided for accidents on as well as off the job.

In 1988, 92 percent of all full-time employees in medium and large firms had life insurance coverage; 76 percent of employees with life insurance also had AD&D protection. Eighty percent of the 13 million blue-collar workers with life insurance had AD&D coverage, while 72 percent of the 15 million white-collar workers with life insurance were covered.

Employees in life insurance plans paying a flat dollar benefit were more likely to have AD&D insurance than those in plans with benefits linked to earnings, but the difference was slight.

Table 1. **Percent of full-time employees with employer-sponsored life insurance, and percent of life insurance participants with accidental death and dismemberment coverage, medium and large private firms, 1979–86 and 1988**

Item	1979	1980	1981	1982	1983	1984	1985	1986	1988[1]	1988[1]
All full-time employees	100	100	100	100	100	100	100	100	100	100
With life insurance:										
All employees	96	96	96	96	96	96	96	96	94	92
Professional and administrative employees	99	97	98	98	97	97	97	97	97	96
Technical and clerical employees	92	94	95	96	95	95	96	96	95	94
Production and service employees	96	96	96	96	95	96	96	95	92	89
All insurance plan participants	100	100	100	100	100	100	100	100	100	100
With accidental death and dismemberment insurance:										
All participants	72	69	72	72	72	74	73	72	73	76
Professional and administrative participants	69	67	69	70	67	70	70	65	70	72
Technical and clerical participants	66	67	66	66	65	67	65	65	69	72
Production and service participants	75	70	76	77	78	80	79	79	78	80

[1] In 1988, the Employee Benefits Survey was expanded to include establishments employing 100 or more workers in all private industries. From 1979 to 1986, the survey did not include all service industries, and did not include establishments with under 250 workers in certain industries. The first 1988 column represents the same size and industrial coverage as in prior years; the second 1988 column provides data for the expanded survey.

NOTE: In 1987, the survey was conducted in State and local governments. Results of this survey are described in the text.

Seventy-nine percent of the workers whose life insurance was a specified dollar benefit had AD&D protection, while 74 percent of the workers in earnings-based life insurance plans were covered. This finding can be explained largely by differences between blue- and white-collar workers. In addition to being more likely to have AD&D protection, about half the production and service workers in 1988 had flat dollar amounts of life insurance, compared with less than a fifth of the white-collar workers.

The large majority of AD&D plan participants (93 percent) had benefits expressed in the same manner as their regular life insurance benefit. (See table 2.) For example, both life insurance and AD&D benefits might be expressed as a multiple of salary, or both might be a flat dollar amount, such as $10,000. Eighty-two percent of the nearly 22 million employees with AD&D coverage had a benefit equal to the amount of life insurance coverage, 9 percent had lower coverage, and 2 percent had greater protection. (Indeed, the last group had protection equal to two or more times the life insurance benefit amount.) The life insurance benefits from which the AD&D amounts were derived averaged 1.5 times earnings in plans based on salary, and $11,300 for flat dollar amount plans, in 1988.

Five percent of all AD&D participants were in plans paying a flat dollar benefit, while the amount of their life insurance was proportional to earnings. Flat amounts ranged from less than $2,000 to more than $30,000, but most commonly ranged from $5,000 to $15,000.

Life insurance plans that pay a multiple of earnings commonly specify a ceiling on dollar payments. For example, a plan might pay two times the annual salary, up to a maximum of $100,000. In these instances, a maximum other than the basic life insurance maximum seldom applies to the AD&D benefit. Only 8 percent of all employees in plans with AD&D protection had a specified maximum benefit different from the life insurance maximum. White-collar workers were more likely than blue-collar workers to have a dollar ceiling on benefits, largely because white-collar workers' insurance frequently was based on an earnings formula, while blue-collar workers more commonly had a flat dollar benefit.

Where separate maximum benefit amounts for AD&D were provided, they varied widely, ranging most commonly from $50,000 to $500,000. (See table 3.) Where AD&D benefits were limited to the basic life insurance maximum, the maximums averaged about $225,000 in 1988. However, the largest group, approximately 60 percent of participants in AD&D plans, had no maximum limit placed on benefits.

Table 2. **Percent of full-time participants in accidental death and dismemberment plans by principal benefit amount, medium and large private firms, 1988**

Item	All participants	Professional and administrative participants	Technical and clerical participants	Production and service participants
Total	100	100	100	100
Related to amount of life insurance[1]	93	94	94	93
Less than life insurance	9	9	6	10
Equal to life insurance	82	82	85	81
Greater than life insurance	2	3	3	2
Separate flat amount	5	3	4	7
Less than $5,000	(2)	(2)	(2)	(2)
$5,000 to $9,999	3	1	2	4
$10,000 to $14,999	1	1	2	1
$15,000 or greater	(2)	1	(2)	(2)
Other[3]	1	2	2	1

[1] Includes participants in plans that expressed both life insurance and AD&D benefits as a multiple of salary or as a flat dollar amount.

[2] Less than 0.5 percent.

[3] Includes participants in plans that expressed life insurance benefits as a flat dollar amount and AD&D benefits as a multiple of salary.

NOTE: Because of rounding, sums of individual items may not equal totals.

A note on the public sector

In 1987, the Employee Benefits Survey covered full-time employees in State and local governments. Data from this first-time survey were published for workers in three occupational groups: teachers, police and firefighters, and regular employees (that is, all other employees). Two out of three public-sector life insurance participants had additional AD&D coverage, slightly below the rate in medium and large private firms the previous year. The following tabulation shows the percent of full-time employees in the State and local government survey who participated in employer-sponsored life insurance and the percent of life insurance participants with AD&D protection:

	With life insurance	*Life insurance participants with AD&D coverage*
All employees	85	66
Regular employees	85	67
Teachers	82	70
Police and firefighters	91	71

Table 3. **Percent of full-time participants in accidental death and dismemberment plans by maximum benefit provision, medium and large private firms, 1988**

Provision	All participants	Professional and administrative participants	Technical and clerical participants	Production and service participants
Total	100	100	100	100
Subject to life insurance maximum	31	43	41	19
Less than $50,000	1	1	1	1
$50,000–$99,999	5	7	6	3
$100,000–$249,999	13	18	17	8
$250,000–$499,999	8	10	11	5
$500,000 or more	4	7	5	2
Separate AD&D maximum	8	11	13	5
Less than $50,000	2	3	2	2
$50,000–$99,999	1	2	3	(1)
$100,000–$249,999	3	4	6	2
$250,000 or more	1	2	2	(1)
No maximum	61	46	47	76

[1]Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals.

Benefits were more prevalent among teachers and police and firefighters than among regular employees. Provisions of AD&D benefits in the public sector were nearly identical to those described for the private sector.[4]

Variations in AD&D benefits

While AD&D benefits in both the private and public sectors are nearly always combined in a package with regular life insurance benefits, variations are occasionally encountered in this pattern. For example, employees who have the opportunity to choose their benefits through a flexible benefits program may be able to receive life insurance without AD&D, or AD&D without life insurance. A flexible benefits program gives individual employees choices among a variety of benefits, such as several health care options, several levels of life insurance, and added vacation days. In rare cases, employees surveyed chose AD&D benefits and waived all life insurance coverage.

Two insurance coverages that resemble AD&D are not included in the preceding tabulations. First, personal accident plans generally offer employees the opportunity to purchase varying amounts of protection against accidents. For example, a plan might offer coverage from $10,000 to $500,000, in multiples of $10,000, at the employee's option. Benefits are paid to the employee or a beneficiary should an accident occur. But these plans are almost always offered to employees at their own expense and, therefore, are not included in this survey of benefits for which employers pay at least part of the cost.

Second, travel accident insurance is not included in the tabulation of AD&D benefits. Travel coverage protects an employee against injury or death that occurs while traveling on employer business. It is not a form of continuous protection. The Employee Benefits Survey tabulated the availability of this benefit, which is almost always completely employer paid, in 1987 and 1988. Sixteen percent of State and local government full-time employees in 1987, and 49 percent of employees in medium and large private firms in 1988, had travel accident insurance coverage while on business trips.

THE RANGE OF ACCIDENT PROTECTION—AD&D insurance, personal accident plans, and travel accident insurance—coupled with workers' compensation benefits for occupational accidents, provides substantial risk protection for employees. These benefits have grown out of a concern for worker safety and are likely to remain common features of employee benefits packages in the foreseeable future. □