Growth of employer-sponsored group life insurance

Since it was first offered 80 years ago, employer-sponsored group life insurance has become a fixture of most employee benefits packages; over time, however, plan features have been updated to meet the needs of a changing work force

Michael Bucci

In 1911, the Equitable Life Assurance Society of New York issued a "yearly renewable term employees' policy" to the Pantasote Leather Co. and its 121 employees. This group policy provided each member employee with life insurance coverage financed through group rate premiums paid by Pantasote Leather. At the time, the life insurance industry and the general public took little notice. Instead, both continued to rely on the individual policies that had been the lifeblood of the life insurance industry since its inception.[1]

Nevertheless, Equitable Life proceeded with its development of the new product, writing five other group policies over the next few months. In 1912, Montgomery Ward and Co. insured the lives of its 2,912 employees through the Equitable in the amount of $5,946,564.[2] The immense size of this single policy forced the remainder of the insurance industry and the U.S. business community to take notice. Group life insurance as a fringe benefit of employment began to take off.

The growth of employer-provided group life insurance has been tracked by the Bureau of Labor Statistics (BLS) and other analysts throughout this century. Recent data from the BLS Employee Benefits Survey indicate that nearly all full-time employees in the Nation's medium and large private establishments—those with 100 workers or more—are provided group life insurance that is at least partially financed by their employers. Additionally, close to two-thirds of full-time employees in small establishments receive life insurance coverage.[3] Typical features of today's plans include coverage for retirees and for dependents of active workers, and options for employees to choose added protection (though often at their own cost). The following discussion tracks the changes in group life insurance plans, and in the data reported about such plans, from the implementation of the Pantasote Leather Co. agreement through the present day.

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The rationale for group plans

At their annual meeting in 1917, the National Convention of Insurance Commissioners attempted to distinguish between employer-provided group life insurance and the more traditional individual term life coverage. The commissioners defined the newer concept as:

> . . . that form of life insurance covering not less than fifty employees with or without medical examination, written under a policy issued to the employer, the premium on which is to be paid by the employer or by the employer and employees jointly, and insuring only all of his employees, or all of any class or classes thereof determined by conditions pertaining to the employment, for amounts of insurance based

> upon some plan which will preclude individual selection, for the benefit of persons other than the employer.[4]

Along with the points enumerated in this definition, which remains relatively appropriate even to this day, there are two other important characteristics that distinguish group life insurance from the more traditional individual term life coverage. Most importantly, a group contract allows all of the participants covered by the policy to benefit from coverage while placing the burden of financing the plan either partly or entirely on the employer. In addition, group policies enable a larger population to participate in a plan at a lower cost than if each person had to purchase individual coverage. This is because group participation permits risk-sharing and reduces administrative expenses incurred by the insurance underwriter by spreading them over a greater number of policyholders.

Employer-provided group life insurance made good economic sense for business.

In the late 1800's and early 1900's, establishments did not provide their employees with the variety of employee benefits programs that exists today. A small number of companies did offer specific forms of health and welfare insurance. These included accident and sickness insurance (to protect against short-term losses of income) and pensions. At the same time, many workers were purchasing, from commercial insurers and at their own expense, industrial insurance, which provided the dependents of a deceased worker with a small benefit (usually a lump sum of no more than $100 or $200) designed to pay the deceased employee's funeral expenses. Individual life insurance policies, which provided for the longer-term needs of the deceased's dependents, were also available through commercial insurance carriers. The vast majority of U.S. workers, however, did not have substantial amounts of life insurance.[5]

There were several factors that led to the creation of employer-sponsored group life insurance policies. In the increasingly industrialized environment of the later 1800's, families became more dependent on workers' wages as a major source of household income. With this dependence came the need to protect the family against a potential loss of wages. For some employees, these needs were met by mutual benefit associations.[6]

Mutual benefit associations, which arose during the 1870's as organizations of workers within a company or industry, served as vehicles for providing members with protection against the financial risks of death, illness, or disability. They were financed by employees, employers, or both parties together, and operated in much the same fashion as do self-insured benefit plans today. Membership dues or employer contributions were pooled and used to provide benefits to members. Aside from providing financial assistance, mutual benefit associations also served as social and athletic outlets for employees and their families.

The first of these associations were formed by employees of the mining and railroad industries.[7] The hazardous nature of the jobs in these industries often made it impossible for individual employees to obtain life insurance coverage at affordable rates. As the mutual benefit associations in these industries succeeded in providing affordable coverage to their members, employees in other industries began to see the merits of organized efforts.

In addition to cooperating in the establishment of mutual benefit associations, many employers provided ad hoc assistance to the family members of a deceased employee. Typically, when an employee died, his fellow workers would take up a collection and pass it on to his family. Oftentimes, the employer also made a contribution.[8] Group life insurance coverage eliminated the need for this type of relief by establishing an organized method of providing for the deceased's dependents.

Employer-provided group life insurance also made good economic sense for businesses. While some companies provided a fixed lump-sum benefit to the deceased employee's family or made contributions to the "pass-the-hat" effort, such payments often came directly from company operating funds and could strain a firm's finances. Group life insurance, on the other hand, permitted the employer to fix this cost in advance while keeping it at a manageable level. In addition, as the practice of providing group life insurance to employees began to spread, employers may have felt some pressure to keep their compensation packages on a par with those of their competitors. The provision of a group life insurance package may have helped to attract and maintain a quality work force.[9]

One other advantage of providing group life insurance coverage came about with the imposition of the modern Federal income tax on corporations in 1909.[10] The U.S. Internal Revenue Code states that an employer's cost incurred in the funding of a group plan is a tax-deductible business expense. This write-off may have played a significant role in the rapid early growth of employer-provided life insurance.

It can be seen, then, that the factors encouraging employers to provide group life insurance ranged from paternalistic concerns to economic self-interest.[11] A summary of this reasoning is contained in a 1919 BLS report on the advent of employer-provided life insurance:

> One of the most recent evidences of the interest employers are taking in their relations with their employees is found in the growth of the group insurance idea. As in the case of the pension plan, it undoubtedly works toward more harmonious relations and toward the reduction of the labor turnover since it offers a strong inducement to employees to remain with the firm. Individual life insurance is too expensive to be within the reach of most workmen. The guaranty to care for the family during the adjustment to the changed conditions and responsibilities must appeal strongly to that class of workmen who are unable to save anything toward the future and to those also who have reached an age where the rates would be greatly increased or who would be unable to pass the necessary physical examination.[12]

Although employers clearly stood to gain from providing group life insurance, the major advantages accrued to the employee. As the U.S.economy in the early 20th century became increasingly industrialized, the individual wage earner began to recognize the importance of his family's long-term economic security.[13] As suggested earlier, the family unit could no longer survive on the land as had once been possible in a predominantly agrarian economy. U.S. workers now needed to ensure that their dependents would have adequate financial means in case of the premature death of the principal wage earner. Employer-provided group life insurance offered the employee a substantial degree of protection at little or no cost.

Finally, employees have realized distinct tax-related advantages from employer-provided group life insurance through the years. The passage of the 16th Amendment to the Constitution in 1913, and the consequent imposition of the Federal income tax on individual incomes, led to a debate over whether employer contributions towards group life insurance policies (and group fringe benefits, in general) should be included as part of the employee's taxable wage base. This question was answered in a 1920 ruling by the Solicitor of the Internal Revenue Service.[14]

The Solicitor's opinion stated that employer contributions to a group life insurance policy could not be counted towards the employee's personal income because the death benefit is paid to the beneficiary of the policy, not to the employee. The Revenue Act of 1964 altered this ruling somewhat through Section 79 of the Internal Revenue Code. Section 79 states that the employer's share of the premium used to purchase coverage exceeding $50,000 shall be included as income taxable to the employee in the year the premium is paid, unless the employee contributes more than 50 percent of the premium's total cost.

In addition, the proceeds from a life insurance policy generally are not recognized as taxable income to the beneficiary of the policy.[15] While these considerations do not affect all U.S. employees in the same manner, they are significant.

Growth in group insurance

As both employers and employees came to see the merits of employer-provided group life insurance, commercial insurers recognized that a tremendous business opportunity existed in this area. They began to market the new product with vigor. In 1920, just 9 years after the Pantasote Leather Co. policy was issued, there were 6,000 group policies in force in the United States.[16] This number tripled by 1930, but growth slowed over the next 15 years, even though wartime wage stabilization laws caused some employers to offer benefits in lieu of increased wages to attract workers. With the conclusion of World War II, however, the vigorous growth resumed. In 1945, there were 31,000 group policies in effect; by 1960, the number had risen to 169,000; and by 1989, there were 701,000 group policies in force in this country.[17] This astronomical growth was also evident in the total amount of coverage provided—$1.5 billion by 1920, $100 billion by 1955, $1 trillion by 1976, and more than $3 trillion by 1987.[18]

While the sheer number of policies issued escalated dramatically over the years, the reasons for issuing the policies changed very little. However, a few developments provided additional impetus for the spread of employer-sponsored life insurance.

Initially, employers almost always paid the full cost of the policy. In the years immediately following World War I, the Nation entered a period of economic contraction as it made the transition from a wartime to a peacetime economy. As some businesses began to experience decreasing profits, one of the first compensation items to be considered for termination was the relatively new group life insurance plan. Instead of eliminating these programs altogether, some employers began asking employees to contribute toward the costs of the premiums. This reduced the employer's share of the burden while allowing employees to continue receiving insurance coverage at reduced rates. The practice of joint contributions is still the policy of some employers today; in 1989, 1 out of 8 life insurance participants in medium and large private establishments was required to contribute toward the cost of coverage.[19]

The sheer number of policies issued has escalated dramatically over the years.

Other significant boosts to employer-provided life insurance occurred in the late 1930's and early 1940's. First, as indicated earlier, World

War II saw the imposition of wage stabilization measures designed to curb inflationary pressures. As employees were required to accept limits on increases in their paychecks, they began to look towards group life insurance coverage and other employer-provided benefit programs as supplements to wages. The direct result of this was the increased provision of benefit programs, including group life insurance.

Also during this period, union membership expanded dramatically, and new or improved benefit plans were frequently requested as part of new labor contracts.[20] As this practice spread, some questioned the inclusion of benefit issues in the bargaining process. In 1948, a U.S. Court of Appeals ruling stated that the collective bargaining process could cover issues such as wages, hours, and "other conditions of employment."[21] With this decision, the right to include health and welfare benefit provisions in the negotiated contract was established in law. Today, the practice of including life insurance coverage along with standard pay has become almost universal among medium and large employers in the United States.

Characteristics and provisions of coverage have changed quite markedly over time.

Plan details

While the reasons for the introduction and continued success of employer-provided group life insurance have remained remarkably consistent since the benefit was first offered in 1911, the characteristics and provisions of coverage have changed quite markedly over time.

As indicated earlier, the Montgomery Ward plan that took effect in 1912 was the first to capture the attention of the general public. The plan consisted of three parts: 1) a "burial payment" of $100, payable upon the employee's death; 2) a lump-sum payment equal to 1 times annual salary, with a maximum payment of $3,000 (applicable only to employees with no spouse or dependents); and 3) a weekly payment over the life of the surviving spouse equal to 25 percent of the employee's salary, payable until the widow remarried or died (applicable only to married employees). If the widow remarried, weekly payments ceased and she received a final lump sum equal to 2 years' annuity payments.[22]

The Montgomery Ward plan established the pattern for other plans that followed. As the incidence of these plans increased, the Bureau of Labor Statistics took note and started to gather data on provisions of the plans. Thus began a BLS investigation that has continued for more than 70 years.

One early study, published in 1918, contained data on 431 firms in diverse industries.[23] Of those establishments, only 32 offered an employer-provided group life insurance plan. The majority of these plans covered all employees; a few included service requirements (ranging from 1 to 24 months) before coverage began. Only three of the companies that offered plans did not pay for them in full. The death benefit varied in type from establishment to establishment. A few plans paid a benefit of 1 times annual salary, while the remainder provided a fixed benefit, ranging from $200 to $2,500, with $1,000 being the norm.

Two studies conducted in the late 1920's yielded evidence of the rapid growth of employer-provided group life insurance. The first, a 1926 BLS study, again surveyed 431 establishments.[24] This time 186 companies offered coverage, 6 times as many as had done so a decade earlier. Forty-one of the plans required employees to assist with the financing of plan premiums. One reason given for this increase in contributory plans was the desire of employees for greater coverage.

All but six of the establishments that offered group life insurance plans in 1926 had some form of prerequisite for coverage. Of those that did, 34 required the employee to belong to an employee club or benefit association, while the remainder enforced a length-of-service requirement. Seventeen of the plans offered flat-dollar-amount coverage. The remainder provided either a lump sum equal to some percentage of final salary or allowed for salary continuation for a period of less than 1 year. Actual payments ranged from under $300 to as much as $10,000.

The second study was an all-industry report on the incidence of various employer-sponsored group insurance policies released by the National Industrial Conference Board.[25] The board's study encompassed 618 establishments, employing 1,235,000 individuals. Of the 618 company plans offered, all but 4 insured the life of the employee; the latter plans offered sickness and accident coverage only. The board found that all of the plans had initially been financed entirely by the employer. Employers stated, however, that plans were expensive to administer and that employees, recognizing the worth of coverage, were willing to contribute to premiums. As a result, by 1927, 46 percent of the plans had become contributory. The average coverage provided by the life insurance plans in the survey was $1,102 per employee in establishments with fewer than 200 workers and $2,229 per employee in plans with more than 25,000 workers.

In 1935, BLS reported the findings of another National Industrial Conference Board report from the previous year.[26] This report further outlined the continued growth in the incidence and dollar amount of group policies, as well as the number of employees covered under such arrangements.

While the Great Depression caused some plan cancellations, the data show a general upward trend in the number of group insurance plans. In addition, the study noted the large number of small employers providing group life insurance, although the dollar amount of coverage generally was lower among these smaller firms. Overall, average insurance protection was $1,828 per employee.

In the 1950's, BLS published a variety of data from studies of the extent of insurance plans in specific metropolitan areas.[27] These studies found a high incidence of such plans, with some variation by geographic location and type of establishment. Two studies, one conducted in 1952–53 and the other in 1958, obtained data for office and plant workers in the same 17 metropolitan areas. Among office workers in the initial study, the incidence of employer-provided group life insurance ranged from 59 percent in Portland, OR, to 95 percent in Atlanta, with most other areas exceeding 80 percent.

By 1958, the gap among the cities had shrunk noticeably. Eighty-seven percent of office workers in Denver were offered life insurance by their employers, while 98 percent of their counterparts in Atlanta received the same type of coverage. In Portland, OR, 88 percent of office workers were offered plans sponsored by their employers. While the difference in life insurance coverage between plant and office workers was not pronounced in most cities, plant workers in certain cities were not offered such coverage as often as were office employees. The 1952–53 study, for example, found that 71 percent of plant workers in Memphis were offered a plan, compared to 86 percent of office workers in the same city.

Since the 1960's, BLS also has published data on the incidence of employer-sponsored life insurance in metropolitan areas by certain industry divisions: manufacturing; transportation, communications, and other public utilities; wholesale trade; retail trade; finance, insurance, and real estate; and selected services.[28] These data show that, since 1961, most office and plant workers in the six industry divisions studied have been offered employer-provided life insurance plans. In 1961, 75 percent of plant workers in the services industries were offered such plans. All other workers had higher incidences of coverage, with office workers in the manufacturing and the finance, insurance, and real estate sectors—at 97 percent—the most likely to be offered plans. With the exception of plant employees in the services sector, the incidence of such offerings increased or remained the same for all types of workers over the next three decades.

Emerging provisions

As employer-provided group life insurance plans became increasingly common in the 1950's, a number of new provisions began to emerge. These new features, including retiree, dependent, and supplemental coverage, originated both as a result of the changing needs of the work force and through collective bargaining. Older U.S. workers, many of whom had received employer-provided coverage throughout their worklives, were now nearing company-specified retirement age and were in need of continued protection. Younger workers also gained from the new types of coverage that their employers were providing; in fact, supplemental coverage allowed active employees to increase their protection while benefitting from group premium rates. Also, as more and more families became two-income households, protection against the loss of a spouse's income became increasingly important.

While these new features were not widespread at first, a BLS publication issued in the summer of 1960 gave a good indication of the changes that were beginning to occur.[29] The study analyzed the characteristics of 300 collectively bargained agreements, each of which covered at least 1,000 workers. In this study, significant attention was devoted to retiree coverage, dependent insurance, and supplemental policies.

Of the 300 agreements, 295 included employer-sponsored life insurance; 168 of these plans were fully employer-paid. This high incidence of employer-sponsored group life insurance plans reflects the influence of labor unions. It was during the 1950's that unions achieved their highest level of representation among U.S. workers.[30] In the absence of a social welfare system beyond that provided by the Social Security program, labor organizations of that era placed emphasis on obtaining employer-provided benefits such as group life insurance.

Today's plans feature coverage for retirees and dependents of active workers.

The types of benefits offered under these plans in 1960 were split rather evenly. Fifty-four percent of the plans provided a flat-dollar-amount benefit. This flat-dollar coverage ranged from $500 to $15,000, with an average benefit amount of $2,270. The remaining plans offered a benefit that was determined by employee salary, length of service, or some other formula.

Retiree coverage was included in 189 of the collectively bargained life insurance plans. Forty-four of these plans required the retired employee to pay the full cost of coverage. In virtually all cases in which retirees were offered coverage, the benefit amount was lower than the level offered to active employees. On average, an

employee earning $4,000 annually upon retirement would have coverage reduced to $2,019 at age 65 and to $1,429 at age 70. (Preretirement coverage averaged $2,431 for plans offering flat-dollar coverage and $5,318 for those in which the benefit amount varied by employee earnings.) Of the nine plans that offered coverage to dependents, eight were fully paid by the employee. Coverage for spouses ranged from $500 to $1,000, while coverage for children ranged from $100 to $500, depending upon the child's age at the time of death. Finally, 36 of these employer-provided plans allowed the employee to supplement basic coverage with additional amounts of insurance. Premiums for this supplemental coverage were either jointly paid by the employer and employee or paid for in full by the employee.[31]

Flexible benefits plans allow employees the option to tailor their benefits packages.

A 1981 BLS study examined the life insurance provisions of 56 individual establishment plans in an attempt to determine whether or not these policies had been altered over the preceding 10 years.[32] Results of this study indicated that the characteristics of these selected plans had changed only slightly during the 1970's. For instance, 50 of the plans were paid for in full by the employer in 1971, compared with 51 in 1980. In both years, three-quarters of the plans provided a benefit that was some multiple of the employee's annual salary. Forty-seven of the plans provided retiree coverage in 1980, down from 49 in 1971. Finally, in both years, nine plans provided the employee the option of purchasing supplemental coverage, while the number of plans offering dependent coverage had risen from one to three.

Today's plans

In 1979, the Bureau conducted a pilot survey to measure the incidence and characteristics of employee benefit programs in the private sector. The pilot study, known as the Level of Benefits Survey, provided comprehensive data on the incidence and details of life insurance plans. The survey, now called the Employee Benefits Survey, has been conducted annually since 1979. The findings of the survey during the 1980's were conclusive evidence of the continued prevalence of employer-provided group life insurance in the total benefits package. The survey also provides a vantage point from which to observe and evaluate some of the more recent innovations in employer-provided group life policies.

In 1989, 94 percent of all full-time employees in medium and large private establishments participated in employer-sponsored life insurance plans; 12 percent were required to assist in the financing of their plans.[33] Length-of-service requirements were imposed upon 51 percent of participants. Two-thirds of the participants were covered by plans in which the benefit formula was tied to the employee's salary, with the average benefit equal to 1.5 times the annual salary. Retiree coverage was provided to 42 percent of participants, although benefits were reduced from preretirement levels for the vast majority of these workers. Supplemental benefits, available to 62 percent of participants, were paid for in full by the employee in almost all instances. Finally, 42 percent of the participants had a provision that allowed for the coverage of dependents; slightly more than half of these employees were required to fully finance the coverage themselves.

While employer-provided group life insurance has now become an almost standard part of the compensation packages of medium and large employers, it has continued to adapt to meet the changing needs of the work force. Recent innovations in employer-provided group life insurance include the introduction of flexible benefits plans and the growth of supplemental coverage.

Flexible benefits plans allow employees the option of tailoring their benefits packages to meet their individual needs. Typically, the employer sets aside money for each employee. The employee then selects from a menu of benefit options and "pays" for each choice with the employer's contribution. For example, the employer may provide the employee with a choice of three levels of coverage in both health and life insurance. The employee then makes a selection based on individual need and affordability. A single worker with no dependents might wish to decline life insurance coverage, while a worker with a spouse and several children might choose to maximize insurance protection. Flexible benefits plans, which were offered to 9 percent of all workers in the 1989 Employee Benefits Survey, included a choice of life insurance options 9 out of 10 times.

If the cost of the employee's choices exceeds the amount of the employer's contribution, the employee makes up the difference through a payroll deduction, often on a pretax basis. That is, the applicable premium cost is taken out of the employee's paycheck prior to the deduction of taxes. If the employee bought life insurance outside of the workplace, the purchase would be made with after-tax dollars. As a result of the pretax option, the employee's take-home pay is increased.

Supplemental options, which the BLS surveys have shown to be increasing in incidence over the years, allow employees many of the same advantages that are realized from flexible benefits plans. A supplemental life insurance plan is

one that provides coverage above and beyond the employer's basic coverage. While more than 80 percent of employees given the option to choose supplemental life insurance in 1989 were required to contribute fully towards its cost, the premium that is paid is based on group rates. This allows the employee the opportunity to increase the level of coverage while paying a lower premium than would be assessed if coverage were obtained on an individual basis. As mentioned previously, 62 percent of full-time employees in medium and large establishments had the option of supplementing the basic coverage in 1989.

FOR MOST U.S. COMPANIES, employer-sponsored group life insurance has become a standard part of the total compensation package. As the employee benefits spectrum continues to broaden, it is probably safe to assume that employer-provided group life insurance will remain in a position of prominence. □

Footnotes

[1] The origins of the U.S. life insurance industry can be traced back to 1759, with the formation of a relief fund for Presbyterian ministers and their wives. The Insurance Company of North America, the first general insurance company to sell life insurance in the United States, was chartered in 1794. The growth of the industry took place in spurts over the next 100 years, punctuated by the introduction of insurance agents and mutual policies. As the Industrial Revolution progressed, the practice of purchasing individual life insurance policies became more widespread. (In 1905, 6 years before the introduction of the first employer-provided life insurance contract, nearly $10 billion of the $12 billion of life insurance in effect had been purchased by individuals.) For a more detailed discussion, see Paul A. Norton, "A Brief History," in Davis W. Gregg and Vane B. Lucas, eds., *Life and Health Insurance Handbook*, 3rd ed. (Homewood, IL, Richard D. Irwin, Inc., 1973), pp. 1089–99.

[2] Protracted negotiations between Montgomery Ward and Equitable Life began in 1910, before the issuance of the policy to Pantasote Leather.

[3] The Employee Benefits Survey (EBS) studies the incidence and characteristics of selected leave and insurance programs in both the private and public sectors. Since 1989, the EBS has surveyed medium and large private establishments (defined as those with 100 employees or more) in odd-numbered years while conducting a similar study of small establishments and State and local governments in even-numbered years. Data from the first study of small establishments are available in "BLS Reports on Its First Survey of Employee Benefits in Small Private Establishments," USDL 91-260, June 10, 1991. Copies of the most recent study of larger establishments, *Employee Benefits in Medium and Large Firms, 1989*, Bulletin 2363 (Bureau of Labor Statistics, 1990), are available for purchase from the U.S. Government Printing Office.

[4] Quoted in C. Manton Eddy, "Development and Significance of Group Life Insurance," in Robert D. Eilers and Robert M. Crowe, eds., *Group Insurance Handbook* (Homewood, IL, Richard D. Irwin, Inc., 1965), p. 48.

[5] In 1900, the total amount of life insurance coverage in effect, both ordinary and industrial, was $7.5 billion. This amounted to approximately $100 for each U.S. citizen. By 1989, there was $8.7 trillion in life insurance coverage, including ordinary, group, industrial, and credit. This amounted to approximately $35,000 for each U.S. citizen. See *1990 Life Insurance Fact Book* (Washington, American Council of Life Insurance, 1990).

[6] The extent of the operations of mutual benefit associations has been traced in several BLS reports. See *Welfare Work for Employees in Industrial Establishments in the United States*, Bulletin 250 (Bureau of Labor Statistics, 1919); and *Health and Recreation Activities in Industrial Establishments, 1926*, Bulletin 458 (Bureau of Labor Statistics, 1928). See also *Experience with Mutual Benefit Associations in the United States*, Research Report 65 (New York, National Industrial Conference Board, 1923).

[7] Wendell Milliman, "Rationale of Employee Benefit Plans," in Eilers and Crowe, eds., *Group Insurance Handbook*, p. 21.

[8] Dan M. McGill, *Life Insurance* (Homewood, IL, Richard D. Irwin, Inc., 1967), p. 693.

[9] Robert I. Mehr, *Life Insurance: Theory and Practice* (Dallas, TX, Business Publications, Inc., 1977), pp. 279–80.

[10] While a tax on corporations had been instituted during the Civil War, it was discontinued in 1872.

[11] Milliman, "Rationale of Employee Benefit Plans," p. 21.

[12] *Welfare Work for Employees in Industrial Establishments in the United States*, Bulletin 250 (Bureau of Labor Statistics, 1919), p. 110.

[13] Eddy, "Development and Significance of Group Life Insurance," p. 45.

[14] L.O. 1014, *Internal Revenue Cumulative Bulletin* 1920–22, p. 88.

[15] The proceeds from a life insurance policy are not subject to Federal income tax. However, they may be subject to estate taxes, depending on the amount of the policy.

[16] These figures include all forms of group life insurance, including policies issued to unions, professional societies, employee associations, savings and investment groups, and other such organizations. At the end of 1988, 83.1 percent of the group policies in force took the form of employer-provided coverage. See *1990 Life Insurance Fact Book*, pp. 30–31.

[17] *Ibid.*

[18] *Ibid.*

[19] *Employee Benefits in Medium and Large Firms, 1989*, Bulletin 2363 (Bureau of Labor Statistics, 1990).

[20] In 1933, unions claimed 3.5 million members, or 14.7 percent of the nonagricultural work force. In 1945, union membership had risen to 12.3 million employees, or 30.4 percent of nonagricultural workers. See Leo Troy and Neil Sheflin, *Union Sourcebook* (West Orange, NJ, IRDIS, 1985).

[21] *W.W. Cross & Co., Inc.* v. *National Labor Relations Board*, 174 F.2d 875, U.S. Court of Appeals, First Circuit, May 24, 1949.

[22] Eddy, "Development of Group Life Insurance," pp. 46–47.

[23] Anice L. Whitney, "Establishment Disability Funds, Pension Funds, and Group Insurance for Workers," *Monthly Labor Review*, February 1918, pp. 192–204.

[24] "Group Insurance Experience of Various Establishments," *Monthly Labor Review*, June 1927, pp. 76–86.

[25] "Workmen's Compensation and Social Insurance: A Survey of Industrial Group Insurance," *Monthly Labor Review*, September 1927, pp. 84–85.

[26] National Industrial Conference Board, "Recent Developments in Industrial Group Insurance," as reported in *Monthly Labor Review*, January 1935, pp. 66–67.

[27] The data in this section come from two sources: Otto Hollberg, "Supplementary Wage Provisions in 17 Labor Markets," *Monthly Labor Review*, November 1958, pp. 1256–63; and *Wages and Related Benefits: 20 Labor Markets 1952–53*, Bulletin 1116 (Bureau of Labor Statistics, 1953).

[28] Data contained in this section are derived from *Area Wage Surveys: Metropolitan Areas, United States and Regional Summaries* for the following years: 1960–61, 1970–71, 1983, and 1989. Area Wage Surveys data are obtained from a sample of metropolitan areas designed to represent all such localities in the contiguous United States. In the Area Wage Surveys, provisions that apply to a majority of the production or office workers in an establishment are considered to apply to all production or office workers in the establishment; a practice or provision is considered nonexistent when it applies to less than a majority.

[29] *Health and Insurance Plans Under Collective Bargaining*, Bulletin 1296 (Bureau of Labor Statistics, 1960).

[30] In 1953, 32.5 percent of the nonagricultural work force were members of a labor organization; the rate has never been higher. See Troy and Sheflin, *Union Sourcebook*.

[31] Supplemental life insurance allows the employee to buttress the amount of basic coverage provided by the employer. This is done through the purchase of additional coverage at group rates. Typically, a supplemental plan provides term life insurance in multiples of annual salary.

[32] Allan P. Blostin, "Is employer-sponsored life insurance declining relative to other benefits?" *Monthly Labor Review*, September 1981, pp. 31–33.

[33] Data in this section are from *Employee Benefits in Medium and Large Firms, 1989*, Bulletin 2363 (Bureau of Labor Statistics, 1990).

A note on communications

The *Monthly Labor Review* welcomes communications that supplement, challenge, or expand on research published in its pages. To be considered for publication, communications should be factual and analytical, not polemical in tone. Communications should be addressed to the Editor-in-Chief, *Monthly Labor Review*, Bureau of Labor Statistics, U.S. Department of Labor, Washington, DC 20212.