

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6958

September 3, 1931.

Dear Sir:

The Federal Reserve Board has received replies from the Chairmen of all Federal reserve banks to its letter of June 10th, B-378, requesting certain data with regard to the group life insurance policies carried by the banks, and there are attached hereto, for your information, copy of a memorandum dated August 12th from the Assistant Chief of the Division of Bank Operations, and copy of a tabulation summarizing the information furnished by the various Federal reserve banks.

This information was compiled in connection with the Board's consideration of the opinion expressed by the last Governors' Conference that the question whether any further increase in life insurance for officers and employees of a Federal reserve bank is desirable is a matter for the determination of the board of directors of that bank, subject, if necessary, to the approval of the Federal Reserve Board.

Before taking any definite action on the matter, the Board would be pleased to receive any comments or suggestions which you may care to make in the light of the information submitted by the other Federal reserve banks.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO ALL GOVERNORS AND CHAIRMEN.

FEDERAL RESERVE
BOARD

333

To: Federal Reserve BoardDate: August 12, 1931From: Mr. Van FossenSubject: Group life insurance.

Referring to the Board's request of June 3, I beg to advise that we have received from the Federal reserve banks information in regard to the cost of their group life insurance during the current and the preceding years, together with group life insurance policies taken out and riders attached to group life insurance policies since March 1927 when the Board received copies of all group life insurance policies then in effect.

Amount of insurance and how determined. From the statement attached hereto, it will be noted that all Federal reserve banks, except Boston and St. Louis, carry group life insurance on officers and employees equal in amount to one year's salary with a maximum of \$5,000 at eight reserve banks, \$7,000 at Richmond and \$10,000 at Dallas. The Federal Reserve Bank of Boston carries insurance ranging from \$500 on employees with less than six months' service to \$3,000 on employees with ten years' service or more, and the Federal Reserve Bank of St. Louis carries insurance equal to two years' salary with a maximum of \$10,000.

Employees of all Federal reserve banks, except Philadelphia, Richmond and St. Louis, may take out additional insurance and in the case of Boston, Minneapolis, Kansas City and San Francisco the Federal reserve bank makes a contribution toward the expense of such insurance. Aggregate insurance paid for by the Boston bank amounts to 135.8 per cent of the bank's payroll while in the case of the St. Louis bank such insurance amounts to slightly over 200 per cent of the bank's payroll. The reason why the insurance carried by the St. Louis bank is more than twice the amount of its payroll, notwithstanding the limit of two year's salary on any one life, is that the insurance carried on each employee, instead of being the exact amount of two year's salary, is equal to the next multiple of \$500. In the case of the other ten Federal reserve banks the amount of insurance carried ranges from about 91 per cent of the bank's payroll to over 96 per cent.

Average cost of insurance. For the twelve banks as a whole the average insurance on which the entire expense is borne by the Federal reserve banks is \$1,806 per employee. The average amount of additional insurance carried by such employees as have taken advantage of the opportunity to obtain such insurance was \$1,941. The annual cost per employee of the insurance carried by the bank exclusively is \$12.21 and the average cost of the additional insurance paid for largely by the employee is \$14.28. The average cost per \$1,000 of insurance is \$6.76 per annum on insurance paid for by the bank and \$7.35 per annum on insurance paid for by the employee. The net cost of insurance carried by the banks amounts to about two-thirds of 1 per cent of the total salary roll.

Conversion option. All of the group life insurance policies contain a conversion option permitting an employee on leaving the service of the Federal reserve bank to convert his insurance into one of the standard forms of life insurance other than term insurance. In the case of the Philadelphia

and Kansas City Banks, however, the conversion option is contingent upon the consent of the Federal reserve bank.

Double indemnity for accidental death. The policies of the Kansas City and Dallas Banks contain a provision for double indemnity in the case of accidental death, at an additional cost of 75 cents per one thousand dollars at Kansas City and \$1.11 per one thousand dollars at Dallas.

Accidental death or dismemberment. In the St. Louis and Minneapolis policies there is a provision for double indemnity in the case of accidental death or dismemberment, at a cost of ten cents per month per thousand dollars. The premium on this insurance at Minneapolis is borne entirely by the employees.

Permanent total disability before age 60. All of the group life insurance policies include a provision for the payment of the face amount of the policy in the event of permanent total disability before age 60. The policies issued by the Equitable Insurance Company also contain a provision whereby the insurance on employees receiving permanent disability benefits may be continued at the option of the Federal reserve bank by continuing payment of the regular premium. There is nothing to indicate whether any of the Federal reserve banks have exercised this option.

Beneficiary. The employees are given the right to name the beneficiary under all of the policies except those of the Kansas City and Dallas Banks. The Federal Reserve Bank of Kansas City is specified as the beneficiary in its policy and the Governor of the bank as the beneficiary in the Dallas policy. The reason assigned by Kansas City and Dallas for this arrangement is that they are thereby enabled to make sure that the benefits go to the proper persons.

Mode of settlement. The policies generally provide the usual options as to mode of settlement, with the provision that payment shall be in a lump sum unless otherwise specified. The option as to the mode of settlement is given to the Federal reserve bank in the case of insurance paid for exclusively by the Federal reserve bank and to the employee in the case of the additional insurance, the cost of which is borne at least largely by the employees.

Waiting period. At five Federal reserve banks insurance on new employees is effective immediately, while the other seven Federal reserve banks have a waiting period from one to three months.

Time limit of eligibility for additional insurance. An employee who applies for additional insurance after the expiration of a specified time limit is required to furnish evidence of insurability. This time limit is two months in the case of four banks and three months in the case of the other five banks which make provision for additional insurance.

Percentage of eligible employees required to participate in contributory plan. The earlier policies providing for additional insurance contained a provision requiring 75 per cent of the employees, with a minimum of not less than 50 persons, to participate before the contract became effective. The more recent ones either do not contain any such provision or merely give the insurance company the option of discontinuing the policy at the end of any policy year in the event that the number of employees participating falls below these limits.

	Boston	New York	Phila- delphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minne- apolis	Kansas City	Dallas	San Francisco
Insurance company	Conn. General	Equitable	Aetna	Travellers	Equitable	Equitable	Equitable	Equitable	Equitable	Aetna	Minnesota	Aetna
Participating policy	No	Yes	No	No	Yes	Yes	Yes	Yes	Yes	No	Yes	No
Insurance plan started:					(1)							
(a) Bank's insurance	7-1-19	7-20-16	4-22-19	1-2-17	12-2-18	8-20-17	8-16-16	11-27-16	5-1-17	4-15-17	12-23-16	3-1-18
(b) Employees additional insurance*	7-1-24	1- -26	5-13-30	4-15-25	-	11-20-27	6-30-27	-	7-12-27	9- 3-25	9-24-24	7-1-25
Insurance per individual:												
(a) Bank's insurance	\$500-\$3000 up to 10 yrs service	Years sal.	Years sal.	Years sal.	Years sal.	Years sal.	Years sal.	2 years salary(2)	Years sal.	Years sal.	Years sal.	Years sal.
(b) Employees' additional insurance	do	\$5000(3)	\$3000(4)	Men \$750- \$5000 Women \$500- \$2000	-	do	\$1000-\$5000	-	do	\$1000-5000	\$1000-5000	\$1000-4000
Maximum insurance per individual:												
(a) Bank's insurance	\$3,000	\$5,000	\$5,000	\$5,000	\$7,000	\$5,000	\$5,000	\$10,000	\$5,000	\$5,000	\$10,000	\$5,000
(b) Employees' additional insurance	3,000	5,000	3,000	5,000	-	5,000	5,000	-	5,000	5,000	5,000	4,000
(c) Total	5,000	10,000	8,000(5)	10,000	7,000	10,000	10,000	10,000	10,000	10,000	10,000	9,000
Aggregate insurance carried:												
(a) Bank's insurance	\$1,542,000	\$4,116,663	\$1,095,882	\$1,557,900	\$897,182	\$685,848	\$2,307,461	\$1,718,500	\$536,572	\$995,400	\$781,730	\$1,364,480
(b) Employees' additional insurance	1,095,600	2,846,000	31,000	1,199,250	-	646,400	1,861,500	-	520,600	827,000	740,185	951,000
Number of lives insured:												
(a) Bank's insurance	743	2,429	689	875	575	414	1,435	515	294	593	423	758
(b) Employees' additional ins.	661	751	11	803	-	383	1,114	-	277	532	423	566
Average amount of bank's ins. per individual	\$2,075	\$1,736	\$1,591	\$1,780	\$1,560	\$1,657	\$1,608	\$3,337	\$1,825	\$1,678	\$1,848	\$1,800
Ratio of bank's insurance to total sal.	135.8%	96.5%	93.9%	95.4%	94.5%	91.3%	94.3%	201.4%	96.6%	93.9%	94.0%	94.4%
Net annual premium on bank's ins.	\$12,170.54	\$21,094.00	\$7,660.00	\$11,804.88	\$5,269.36	\$6,270.22	\$19,137.84	\$6,374.07	\$5,076.73	\$9,473.06	\$4,699.49	\$9,886.22
Net contribution of bank to employees additional insurance.	449.47	-	-	-	-	-	-	-	2,323.62	2,386.52	-	540.00
Net annual payment by employees	7,898.56	14,438.03	472.41	9,843.65	-	5,862.51	15,379.59	-	2,738.49	4,962.00	4,454.67	7,066.64

*Expense borne in part by F. R. bank in case of Boston, Minneapolis, Kansas City and San Francisco.

- (1) To next multiple of \$100, if salary is not a multiple of \$100.
- (2) To next multiple of \$500, if two years' salary is not a multiple of \$500.
- (3) \$2,000 for employees receiving salaries under \$2,000 per annum.
- (4) For officers only.
- (5) Not to exceed one year's salary.

DIVISION OF BANK OPERATIONS
AUGUST 12, 1931.

535