THE ACADEMY OF ELECTRICAL CONTRACTING

Paper presented by

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"To be or not to be"
INSURED
A Benefit Program for the Electrical Contractor
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A Benefit Program for the Electrical Contractor

The year was 1954 and the new agreement reached by the New York City employers and Local Union #3, IBEW included an Annuity Plan which provided cash and death benefits to employees and their families.

It was then suggested that the employers' negotiating committee investigate the establishment of a plan to provide security for their own families.

This was the seed from which has grown "The Electrical Industry Group Life Fund" (known in N.Y.C. as EIGLF).

A trustee group was formed and took its power from a Trust Indenture drawn up by our industry attorney. The purpose of the Trust and the Fund was to provide and maintain through policies issued by licensed commercial insurance carriers, group life and accident insurance coverage. In order to provide greater latitude to the Trustees, the indenture also included all other applicable forms of insurance; such as hospitalization, surgery, etc.

The trustees chose a broker and together they negotiated with insurance carriers for both the premium rate and policy benefits. It was not a simple task, since our group consisted of approximately 400 employer applicants. The trustees made the insurance available to the President and Executive Vice-President of each employer firm. The statistical survey made at that time indicated the average age to be 46 years, with better than 15% of the applicants being over age 60 and under age 80. Our plan was to insure all employers at any age, for as long as they retained an active role in the firm.

The manual premium rate table showed that when an insured reached age 65, he would be required to pay approximately 8 times the premium he had paid at age 35, for the same insurance benefit.

The trustees wisely chose to negotiate a flat premium rate for all age groups and a fixed insurance benefit of $10,000 (In 1954, this amount seemed adequate). The premium rate finally negotiated was $1.75 per thousand per month, or $17.50 per month for the $10,000 coverage. To this, the trustees added $1.00 per month to cover administrative costs. It is important to state that the plan was administered by the trustees, all of whom had no previous expertise in the field of insurance.

Each insurance applicant was required to submit a voluntary medical statement with his regular application. Provisions were made for designation of beneficiaries and contingent beneficiaries. One could also name the policy to be owned by other than himself. One had to work 30 hours per week with his firm to qualify for coverage.

The first four years were learning years for each segment; (a) the trustees (b) the broker and (c) the insurance carrier.

The trustees met once a month to review progress (or lack of progress). The brokers attended all meetings. The insurance carrier did not attend, once the policy was established.

In the third year, the number of deaths exceeded what had been considered the "norm" and the insurance carrier, in a state of nervous apprehension, advised the trustees (through the broker) that they would be looking for an increase in premium from $17.50 per month to $24.50 per month. The trustees recognized that this increase would "chase" the younger employer out of the fund and thereby compound the problem by increasing the average age. Negotiations with the broker and the insurance carrier resulted in a break in relations.

A search was instituted for a new broker and a new insurance carrier. By this time, the trustees had a fair degree of expertise and confidence, which enabled us to sell the concept to the new broker and new carrier. We effected a change from "old" to "new" without any break or lapse in coverage. The new carrier agreed to the same premium of $17.50 for a one year trial period.

In the meantime, the trustees had adopted a resolution expanding the eligibility requirements to include the following "officers, partners, and sole owners":

(a) Presidents, executive vice-presidents, secretaries, comptrollers, treasurers, and all assistants to the above titles.

(b) All partners and co-owners.

(c) All sole owners.

This resolution expanded the eligible number of individuals who could be covered under each firm. All members of the industry were urged to consider participation as an industry responsibility (again, to include the necessary younger men).

We have had excellent results. After the trying and formative years, since 1965 our experience and favorable control has enabled us to improve the benefits, reduce the premiums and provide free dividends in the form of additional coverages. To be specific, the following changes were negotiated and/or voted:

The minimum number of hours required to be worked by an eligible participant was reduced from 30 to 20 hours. This permitted our senior participants to be eligible, even though less active in the electrical industry.

In 1968, the trustees saw fit to provide an additional $10,000 coverage (not mandatory) to those insured under age 51 years. The additional premium was $7.00 per month. A younger member could therefore have coverage of $20,000 basic life insurance at an average cost of $1.225 per thousand per month.

Continued supervision and attention to the welfare of its policy holders has enabled the trustees to implement improvements at nominal cost.

In 1969, the trustees offered policy holders the following Accidental Death and Dismemberment benefits:

(a) Under age 66 - $100,000 - for $60.00 per year
(b) Over age 66 - $50,000 - for $30.00 per year

Our agreement with the insurance carrier and broker makes provision for a fixed commission to the broker; a percentage of gross premiums to be taken by the carrier for profit, taxes, etc. and any excess over benefits paid out in any year is returned to the trust as retro-rate refund.

In addition to the steps gained in coverage benefits and dividends, the administration of the fund by the trustees has resulted in improved experience ratings, which has provided the fund with sizeable retro-rate refunds.

This has led to a program of investing surplus funds, with earnings from such investments being used for the benefit of policy holders.

The success of this plan has been evidenced by the fact that, despite the high inflationary trend and despite the fact that many of the insured are now 24 years older than when the plan started, their insurance costs are lower today and their benefits higher, than at the inception of the plan. (See graph)

In 1978, the insurance coverage offered by the Electrical Industry Group Life Fund consists of the following:

	Amount	Age	Monthly Premium
A. Mandatory (basic) coverage for all insured	$ 24,000	To age 66	$25.00
	14,000	Over age 66	17.50
B. Additional Life Insurance (Optional)	20,000	To age 51	10.00
	10,000	Age 51 to 66	16.50
	None	Over age 66	

	Amount	Age	Monthly Premium
C. Accidental Death & Dismemberment (Optional) Coverage 24 hrs. per day, including travel.	$100,000	To age 66	$ 5.00
	50,000	Over age 66	2.50

D. Additional dividend at no charge:
To spouse of each insured - $25,000 Accidental Death & Dismemberment coverage.

Our plan has the provision for waiver of premium in an event of disability to the point of not being able to perform one's work.

When an insured leaves the industry or ceases to work the minimum of 20 hours per week, he has the capability of converting part or all of his insurance without the need for medical examination.

Our electrical contractors are a hearty lot and we in New York City are presently insuring 65 individuals who have passed their 66th birthday. Thirteen of this number have passed their 80th birthday. All are still insured at the same low premium rate.

We also insure 37 women, 8 of whom are over age 60 (admittedly).

Our Fund is enjoying a secure level of stability. We have sufficient reserves to continue our plan for five years, at no increase in premiums charged, should our present insurance carrier (unwisely) even double his rates.

Our problem? Primarily, adding new and younger members to the plan. A great plus - the I.R.S. recognizes and has declared our Fund tax exempt.

Another great Plus-Plus:

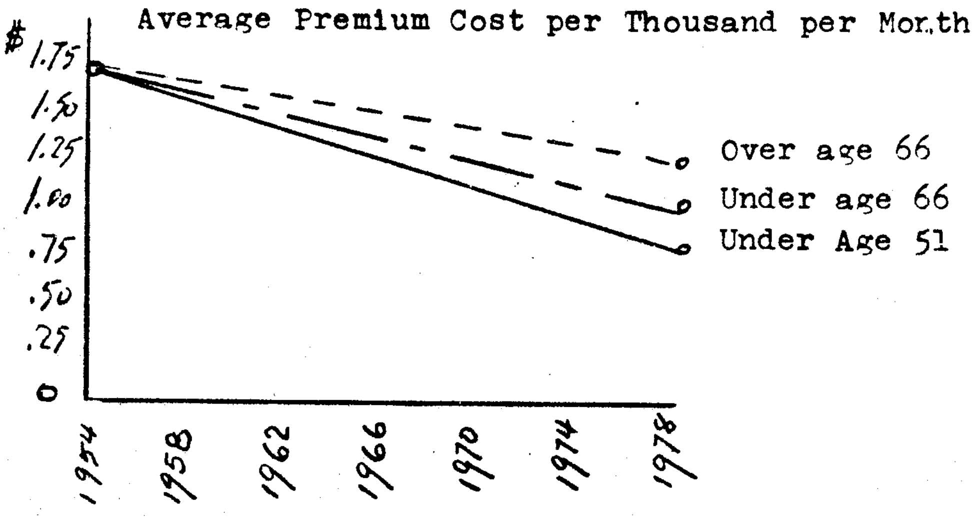
Section 1.162-10(a) of the Income Tax Regulations provides that payments made to provide welfare benefits to employees are deductible as ordinary and necessary business expenses. Moreover, the IRS has ruled that a corporation's non-refundable contributions to an employee's trust to provide group health and life insurance for both active and retired employees is deductible under Section 162 of the Code. Revised rule 69-478, 1969-2 CB 29 Section 162 does not require that a compensation program be nondiscriminatory in order that contributions under that plan be deductible.

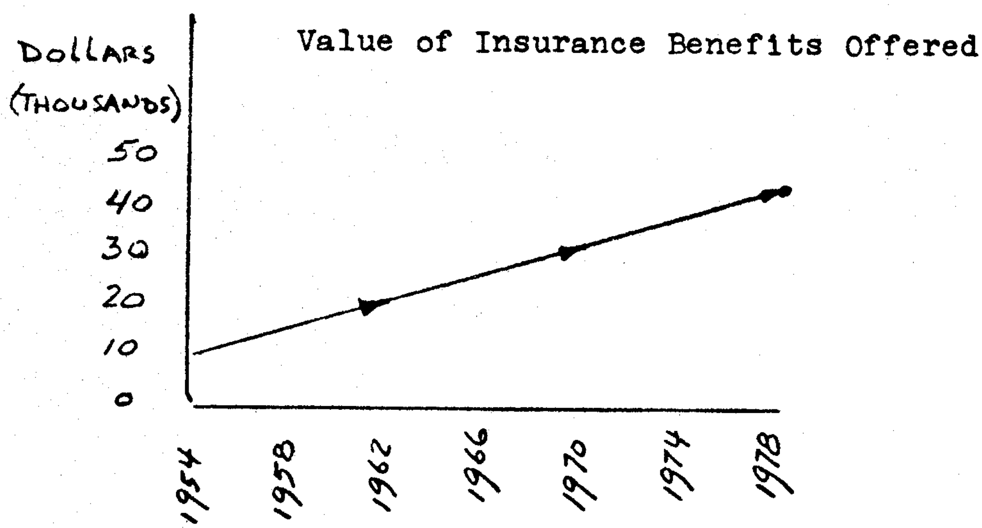
As added protection to our members, our present rate structure with the insurance carrier is guaranteed for a period of three years.

We think we are offering an important service to our contractors. We also think most contractors can use this service.

Respectfully submitted,

A. David Yadlovker, fellow
H & D Electric Co., Inc.
New York City Chapter





** The Electrical Industry Group Life Fund presently has $14,404,00 in Life Insurance benefits under contract.