

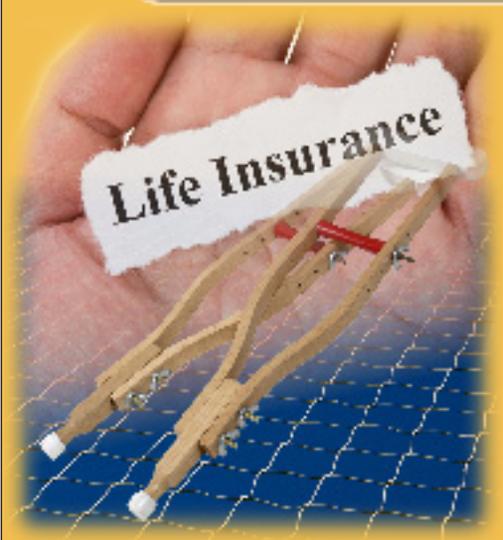


PROGRAM PERSPECTIVES

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LIFE AND DISABILITY INSURANCE BENEFITS



How extensive is the employer-provided safety net? BLS looks at life and disability benefits

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LIFE/DISABILITY INSURANCE

Employer-provided life and disability insurance provides peace of mind for employees in case of unexpected events. Life insurance provides the employee's spouse or other beneficiaries one-time payments linked to earnings or a flat dollar amount after an employee's death. Nearly all employer-provided basic life insurance plans require no employee contribution. Short-term disability insurance provides benefits to employees on a per-disability basis, typically based on a fixed percentage of earnings for a fixed duration of time. Usually, there is no employee contribution required. Employers may choose to offer insurance or self-insure short-term disability plans. California, Hawaii, New Jersey, New York, and Rhode Island mandate temporary disability benefits for workers incapacitated due to illness or injury not related to their job. Long-term disability insurance provides a monthly benefit to employees who,

due to illness or injury, are unable to work for an extended period of time. Generally, long-term disability payments begin after a waiting period and continue until retirement age or death. Most long-term disability plans are provided at no cost to employees.

This issue of *Program Perspectives* takes a closer look at these insurance benefits and includes incidence and key provisions of the benefits. The estimates of incidence and provisions in this issue are from the National Compensation Survey: Employee Benefits in the United States, March 2010 (on the Internet at http://www.bls.gov/ncs/ebs/benefits/2010/benefits_life.htm).

Who's covered?

Fifty-six percent of all private industry employees, and 78 percent of all State and local government employees participated in employ-

continued inside ►

TABLE 1

Life and disability insurance benefits: Access and participation, private industry and State and local government workers, March 2010, in percent

Characteristic	Life insurance		Short-term disability		Long-term disability	
	Access	Participation	Access	Participation	Access	Participation
Private industry						
All workers	59	56	39	38	33	31
Full and part-time status						
Full-time	73	71	47	46	42	40
Part-time	15	13	15	15	6	6
Wage category						
Lowest 25 percent	26	24	18	17	8	7
Highest 25 percent	81	80	59	58	60	57
Establishment size						
1 to 99 workers	43	40	27	26	21	20
100 to 499 workers	71	68	46	45	36	34
500 or more workers	86	85	63	62	61	58
State and local government						
All workers	80	78	23	23	35	33
Full and part-time status						
Full-time	90	88	25	25	39	38
Part-time	23	22	12	11	12	11
Wage category						
Lowest 25 percent	62	59	18	18	27	26
Highest 25 percent	89	86	24	24	39	38

from cover page

er-provided life insurance plans in March 2010. (See table 1.) Thirty-eight percent of private industry employees participated in short-term disability insurance plans, and 31 percent had long-term disability insurance protection. For State and local government workers, 23 percent participated in short-term disability insurance, and 33 percent had long-term disability insurance.

As with most insurance benefits, full-time employees were much more likely to receive the benefits than part-time employees. Private industry workers who received wages in the

top 25 percent category were more likely to participate in these insurance plans than those in the lowest 25 percent. Additionally, private industry access and participation typically increased by establishment size. Some differences in the percent of workers participating in short-term and long-term disability insurance plans may be due to the presence of other benefits that provide similar protection such as paid sick leave (for short-term illness) and retirement plans (for long-term illness).

Key provisions

In addition to incidence, the National Compensation Survey also

collects data on selected provisions for three benefits:

Life insurance—Only 5 percent of private industry employees and 11 percent of State and local government employees participating in life insurance plans had to pay a portion of the cost. (See chart on page 4.) Basic coverage for 58 percent of private industry participants was a fixed multiple of annual earnings, while 36 percent had a flat dollar amount of coverage. (See table 2.) For private industry workers where the coverage was a fixed multiple of annual earnings, 61 percent had one times earnings, and 22 percent had two times earnings. Flat dollar amounts

were wide-ranging, but the median amount was \$15,000 for private industry workers and \$20,000 for State and local government workers.

Short-term disability—Twenty percent of private industry employ-

ees, and 12 percent of State and local government employees, were required to contribute to participate in short-term disability plans. (See chart on page 4.) In terms of the method for short-term disability

benefit payments, 66 percent of private industry participants, and 84 percent of State and local government participants, received a fixed percent of annual earnings. Benefit duration for private industry and

continued on back page ►

TABLE 2

Life insurance, short-term, and long-term disability insurance benefits: Selected provisions, private industry and State and local government workers, March 2010, in percent

Life insurance provisions								
Method of benefit payment	Fixed multiple of annual earnings	Variable multiple of annual earnings	Flat dollar amount	Variable dollar amount	Other	Flat dollar median amount		
Private industry	58	2	36	2	1	\$15,000		
State and local government	38	2	53	6	2	\$20,000		
Fixed multiple of annual earnings benefit formulas	Less than 1.0 times earnings	1.0 times earnings	Over 1.0 but less than 2.0 times earnings	2.0 times earnings	Greater than 2.0 times earnings	Mean multiple of annual earnings	Median multiple of annual earnings	
Private industry	1	61	12	22	4	1.3	1.0	
State and local government	-	46	24	26	-	1.5	1.5	
Short-term disability provisions								
Method of benefit payment	Flat dollar amounts	Dollar amount varies	Fixed percent of annual earnings	Percent varies by annual earnings	Other			
Private industry	7	2	66	22	2			
State and local government	3	1	84	8	4			
Fixed percent of annual earnings	Less than 50 percent	50 percent	51-59 percent	60 percent	61-69 percent	Greater than 69 percent	Mean fixed percent of annual earnings	Median fixed percent of annual earnings
Private industry	1	22	1	33	26	17	64.0	60.0
State and local government	-	31	8	31	17	13	61.0	60.0
Long-term disability provisions								
Method of benefit payment	Fixed percent of annual earnings	Percent varies by annual earnings	Flat dollar amounts	Other				
Private industry	93	5	1	1				
State and local government	94	4	1	1				
Fixed percent of annual earnings	Less than 60 percent	60 percent	61-66 percent	67 percent	Greater than 67 percent	Mean fixed percent of annual earnings	Median fixed percent of annual earnings	With maximum benefit amount (in percent)
Private industry	20	64	8	6	2	58.8	60.0	82
State and local government	18	41	23	-	-	60.8	60.0	64

NOTE: Dash indicates no workers in this category or data did not meet publication criteria.

GLOSSARY

Life insurance provides cash to beneficiaries of deceased employees. The purpose of the benefit is to help beneficiaries pay for burial expenses and to replace lost income resulting from the death of the employee.

Long-term disability (LTD). Long-term disability plans provide a monthly benefit to employees, who due to illness or injury, are unable to work for an extended period of time. LTD benefit payments begin after a predetermined period of disability (generally 3 or 6 months). Payments are made until the end of the disability, the employee reaches retirement age, or after a specified number of months.

Short-term disability (STD). Short-term disability plans (also called sickness and accident insurance) provide full, partial, or a combination of full and partial pay to employees who are unable to work because of a non-work related accident or illness. STD benefits are usually paid for a fixed number of weeks. The benefit payment is either a percentage of an employee's earnings or a fixed dollar amount.

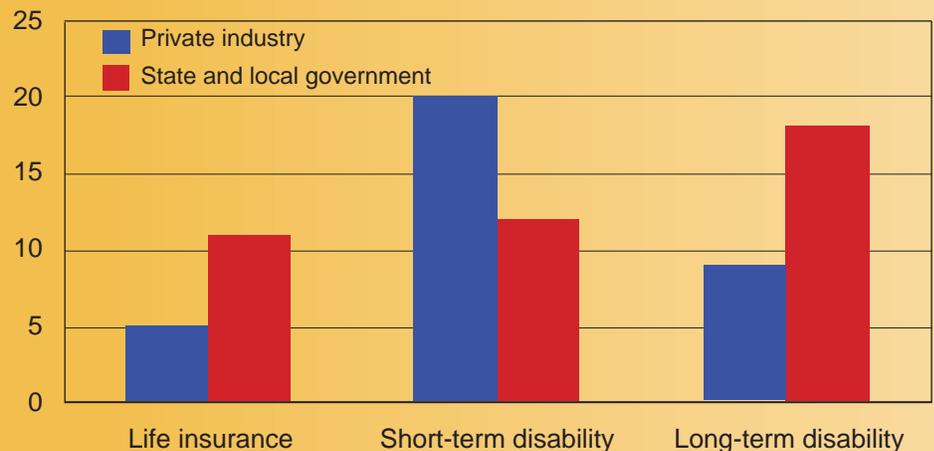
Access to a benefit plan. Employees are considered to have access to a benefit plan if it is available for their use. For example, if an employee is permitted to participate in a short-term disability plan offered by the employer, he or she is placed in a category with those having access to a short-term disability plan, regardless of whether he or she chooses to participate.

Flat dollar formula. A formula that provides a fixed amount to the beneficiary. Employee earnings have no impact on the amount that the beneficiary receives. For example, a life insurance plan offers a \$25,000 flat amount to the beneficiary. A varied flat formula provides a fixed amount within specified earnings or length of service brackets.

Multiple of earnings formula. A benefit formula that provides an amount to the beneficiary that is linked to the employee's earnings. The amount that is provided is in multiples of an employee's annual earnings. There may be a ceiling or maximum payment allowed. For example, a life insurance plan provides two times the employee's annual earnings up to a maximum of \$150,000. A varied multiple of earnings formula provides a multiple defined by the earnings or length of service bracket.

CHART

Life and disability insurance plans: Employee contribution requirement, March 2010, in percent



from page 3

State and local government participants were commonly 26 weeks at a mean percent of earnings of 64 percent for private industry and 61 percent for State and local government participants. (See table 2.)

Long-term disability—Employers required 9 percent of private industry employees and 18 percent of State and local government employees to contribute to the cost of their long-term disability plan. (See chart.) Ninety-three percent of private industry workers and 94

percent of State and local government participants received a fixed percent of annual earnings benefit, which averaged 58.8 percent of earnings for private industry workers and 60.8 percent for State and local government workers. (See table 2.) For workers participating in a fixed percent of annual earnings long-term disability plan, 82 percent of private industry and 64 percent of State and local government were covered by plans that placed a maximum on disability benefit amounts. ●

The next issue will feature State and local government employee benefits

For additional assistance on benefits, contact one of our information offices:

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