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*5 April 1954*  
*Official RB*

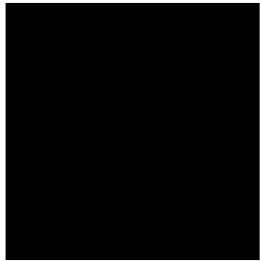
**REPORT  
TO THE  
CIA CAREER SERVICE BOARD  
FROM  
THE INSURANCE TASK FORCE  
IN RESPECT TO  
INDIEMNITIES AND BENEFITS  
FOLLOWING  
DEATH AND DISABILITY**

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THE INSURANCE TASK FORCE MEMBERSHIP

Chairman:  
Member and Sec'y:  
Member:  
Member:



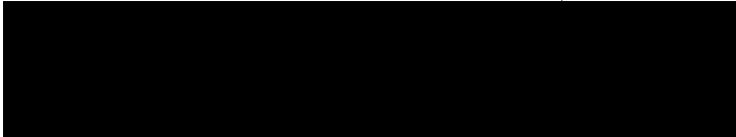
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PRDS - Personnel  
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Security Advisor:  
Security Advisor:  
Security Advisor:

Office of Security  
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Chief, Plans - FI

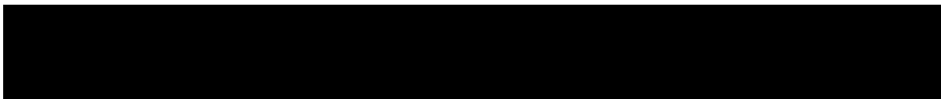
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Consultant:  
Consultant:



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(All Consultants cleared Top-Secret)

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CONTENTS

Foreword

- 1. Statement of the problem.
- 2. Assumptions.

PART I as to death.

- 3. Facts
  - a. Statistics . . . . . excerpted from TAB A
  - b. Existing available protective measures . . . . . " " TAB B
- 4. Discussion
- 5. Conclusions
- 6. Recommendations

PART II as to disability.

- 3. Facts
  - a. Statistics . . . . . excerpted from TAB C
  - b. Existing available protective measures, . . . . . " " TAB D
- 4. Discussion
- 5. Conclusions
- 6. Recommendations

- TAB A Statistics . . . . . as to death
- TAB B Existing Available Protective Measures . . . . . " " "
- TAB C Statistics . . . . . as to disability
- TAB D Existing Available Protective Measures . . . . . " " "
- TAB E Appendices.

- I. WAEPA letter re broadened air-flight acceptance
- II. WAEPA letter re broadened membership eligibility
- III. WAEPA letter re broadened employee coverage
- IV. The attribution factor [REDACTED]
- V. Definition of "employee" groups by CIA regulation
- VI. Hazardous duty in OTR
- VII. Hazardous duty in ISS
- VIII. Hazardous duty in operations, - per FE
- IX. Miscellaneous expression of insurance interests by random selection of DD/P officers.
- X. Procedure and sources in obtaining CIA and other death and disability figures.
- XI. Premium change in Omaha matches GHI surgical.
- XII. Full text of Dr. George Baehr's Congressional testimony.
- XIII. Excerpt on health insurance from TODAY'S WOMAN, 1953 (Fawcett Publications, Inc.), written by Jack Harrison Pollack.

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FOREWORD

Because of the complexity of this subject, it is deemed best to make the presentation in two parts - first, as to death, and then disability.

Clearly, what the Agency should do, if anything, in these fields, is properly considered only after review of existing available protective measures. Accordingly, this presentation is so organized.

Warning is given that the statistics following in respect to death are somewhat untrustworthy in the earlier years especially and, overall, may be too meagre to be fully significant. They are, however, indicative and useful.

Agency procedures and systems in respect to records of death and disability should be tightened and so organized that continually in the future, this type of Agency vital statistics is immediately ready for any desired analysis by appropriate officers. This is especially important in the field of disability (hospitalization) because of the growing country-wide interest, information and change in such group plans.

Further, interpretation and application of P.L. 110 in respect to overseas illnesses must always be carefully weighed together with the employee's membership in a group hospitalization plan. Full justice to the employee includes concern not only for costs to the Government but also concern for the degree of employee participation, and his premium costs, in any group plan offered.

The Task Force finds grievous lack of knowledge in the employee group as to the individual's beneficial rights, especially under that important and excellent piece of legislation known as the Federal Employees Compensation Act. This is also true, but now less so, as to the War Agencies Employees Protective Association life insurance. It is suggested that if future disseminations of such nature are dressed up modestly, they are less likely to hit the waste basket without reading. More importantly in this connection, the Task Force directs explicit criticism to the culpable failure of the Agency and its executive or administrative officers to assure that needful information reaches all persons concerned.

All of this material should be made available to the Chief, Medical Office, for his appropriate and proper technical contribution to personnel administration.

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TO : CIA Career Service Board

FROM : Insurance Task Force

SUBJECT: Employee and Family Beneficial Coverage in Respect to Death and Disability

1. **PROBLEM:** What employee and family indemnity and beneficial insurance coverage should the Agency arrange to have offered in order to remedy or alleviate any possible existing injustice, to alleviate personal and family concerns which dilute or distract from attention to mission, to demonstrate community of interest, and to promote the concept of career.
2. **ASSUMPTIONS:** The Task Force believes:
  - a. That from the point of view of constructive personnel administration the Agency has a deep interest, if not obligation, to assist its employees to meet life's more serious exigencies, whether imposed by mission or not.
  - b. That there do exist particular security problems for the Agency in the field of life and disability insurance.
  - c. That nature of C.I.A.'s mission requires a quality of personal action which is founded in a well-rounded and developed career concept.
  - d. That the agency, as do others, desires to take advantage for its employees of existing benefits commonly extended only to groups as such - or to create appropriate new benefits.
  - e. That the Agency adopts the principle that over and above the present available benefits the employee is responsible for securing for himself, with his own means, the needful life (and disability) protection available.

PART I

3. **FACTS,** in respect to death. (staff employees and staff agents)
  - a. While these statistics are legitimate in perhaps all of the seven last years, there is no surety that every death shows in our records and in any event the meagreness of the death numerator strongly cautions as to attributing complete significance.

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PART I

(1) DEATH INCIDENCE, all causes, all ages - CIA, Dept. of State, and U. S. population as a whole.

YEAR	CIA (Physical Exam)		FOREIGN SERVICE (Physical Exam)		STATE DEPARTMENTAL (No Physical)		U.S. POPULATION <sup>c/</sup>
	Total	Deaths/M	Total	Deaths/M	Total	Deaths/M	Deaths/M
1947	1	.37			Not Available		
1948	5	1.63					9.88
1949	8	2.04	10	1.86	7	.66	
1950	6	1.15	15	1.90	18	2.29	
1951	12	1.60	8	.92	17 <sup>a/</sup>	1.82 <sup>a/</sup> 1.29 <sup>b/</sup>	9.7
1952	19	1.75	5	.56	19	1.82	9.6
1953	18	1.49	8	1.06	12	1.47	
Average 51, '52, '53	16.3	1.61	7	.83	16 <sup>a/</sup>	1.75 <sup>a/</sup> 1.54 <sup>b/</sup>	

<sup>a/</sup> Includes 5 deaths from single air crash.

<sup>b/</sup> If 5 deaths from single air crash are eliminated the ratio would be as shown.

<sup>c/</sup> Data furnished by U. S. Public Health Service.

(2) DEATHS BY MAJOR COMPONENT - 1952 and 1953 (CIA)

	DD/P	DD/I	DD/A	COMMO	OTR
Total Deaths	16	9	7	2	3
Deaths per 1,000	1.73	1.48	1.56	1.02	3.42

(3) PLACE OF DEATH - 1947 through 1953 (CIA)

72% in U.S.; 15% in Far East; 13% in Europe and Near East

(4) CAUSE OF DEATH - 1947 through 1953 (CIA)

Item	Cause							Summary	
	Heart	Cancer	Illness, Other	Accident Duty Conn.	Suicide	Accident Not Duty	Enemy Action	Total	Perf. of Duty
Number of Deaths	25	11	12	8	6	5	2	69	10
Percentage of Total U. S. Population	35%	16%	17%	12%	9%	7%	3%	-	15%
	32.5%	13.7%			1.1%				

SECRET

PART I

- (5) Ages at death, 1947 to 1953 inclusive, in 3 selected categories (CIA)
- (a) Heart: General progressive distribution from age 36
  - (b) Cancer: Middle ages.
  - (c) Suicide: Younger ages.
- b. Existing available protective measures in beneficiary coverage have the following aspects of most importance:
- (1) Commercial Ordinary Life policies
    - (a) The basic Policy (Face Amount) excludes coverage if death is occasioned by an Act of War (declared or undeclared) while the insured is in either the military or the civilian service, by air flight in either military or non-scheduled planes for purposes of training, testing, military mission or while acting as a crew member.
    - (b) The Double Indemnity feature excludes (a) above, plus others.
    - (c) Policies are not obtainable under certain circumstances if the applicant is scheduled for hazardous duty, and, once granted may be voided if the exclusions are offended.
  - (2) National Service Life Insurance (or U. S. Government Life Insurance)
    - (a) Both these policies are limited to veterans and are incontestible from date of issue for any cause except fraud - i.e., no risk exclusion.
  - (3) Federal Employees Compensation Act
    - (a) This Act is an exclusive compensatory remedy for death (and disability) resulting from injuries suffered in performance of duty or from diseases proximately caused by employment. (See Tab A for example of application.)
  - (4) Civil Service Retirement Act
    - (a) This is primarily a retirement act, annuity in nature, but it does provide small death ( and disability) benefits without regard to performance of duty. The principal qualification is 5 years of civilian service - then military service may be added. (See Tab A for example of application.)

SECRET

PART I

## (5) Public Law 110

- (a) Maximum death benefits are preparation and transportation of the remains of the employee or member of his family who may die in travel status or abroad to appropriate place of interment.

## (6) War Agencies Employees Protective Association (WAEPA)

- (a) This is excellent term life and accidental death coverage totaling now \$27,000 available without medical examination or delay, for a premium cost (up to age 41) of \$100.00 per year.
- (b) There are no exclusions in the term feature and five (5) in the accidental death category. Most importantly, in respect to air flight, any flight is fully covered if the insured proceeds under orders, directly or indirectly, of the U. S. Government, as a passenger.

## 4. DISCUSSION, as to death

- a. The potential of risk on the DD/P side shows up both in the ratio for 1952 and 1953 and also in the fact of 8 DD/P deaths out of 10 (for all years) in the performance of duty category. These figures are without reference to deaths arising from illness proximately caused by employment. Six of the seven suicides are on the DD/P side (one was in TRS) and in two cases of the total, it is known that Agency activities were pressing factors.
- (1) The incidence of death in performance of duty is significant at 15%. However, the Task Force believes that this ratio can quickly show sharp increase due to our widespread traveling and OTR, TSS and operational activities. The potential in respect to non-scheduled aircraft will be treated verbally as appropriate.
- b. From an analysis of existing available protective features, the following observations are of most importance.
- (1) As to commercial Ordinary Life policies, unquestionably many of the hazards to which substantial numbers of our people are exposed (Ops, OTR, TSS) will void the individual's previously obtained policy and make it impossible for an applicant to obtain such coverage. This is true in respect to the Face Amount, but most especially and more broadly true of the double indemnity and disability features of these policies.

-4-

SECRET



This fact is subject, in part, to cover-story modification, as dictated by security.

- (2) As to National Service of U. S. Government Life Insurance. This is handsome coverage in moderate face amount for the veteran who kept it. This insurance is really cheap with no hazard exclusions, in either death or disability features.
- (3) As to FECA. This is excellent coverage for the individual (in disability) and for the family in death, arising from injuries suffered in performance of duty or from diseases proximately caused by employment. All hazardous or semi-hazardous duty is covered.
- (4) As to Civil Service Retirement Act. This is a retirement Act, but it does provide quite inadequate benefits on too limited a basis, for death arising under circumstances not covered by FECA.
- (5) P. L. 110. This Act provides a very small assist (\$400.00) in burial only.
- (6) WAEPA. This is valuable moderate face amount coverage for non-accidental death - excellent coverage for accidental death. The policy is valuable because of (a) absence of exclusions in the term feature and but small limitation in the accidental death clause; (b) ease of procurement - no physical examination and immediate availability.

#### 5. CONCLUSIONS, as to death

- a. There is need to seek replacement provision for potential voiding of an individual's ordinary life policy and to counter-denial of such coverage from the commercial market.
- b. There is no need to seek supplemental beneficial coverage in the field of performance-of-duty.
  - (1) The FECA is excellent coverage; when supplemented by the optional coverage of WAEPA, and probable ordinary life (and for a veteran, NSLI) all reasonable Agency obligation and concern is satisfied.
- c. It is desirable to seek, as have others, additional, better or cheaper life coverage outside the field of performance-of-duty. Our people are young with existing and/or potential family responsibilities.
  - (1) The group factor here (term life coverage) provides the potential of about 70% saving in premium cost vs. ordinary life. (this is the commercial aspect)

SECRET

PART I

- d. There is need to subject our WAEPA experience to actuarial scrutiny.
- e. The liberal clauses in WAEPA make it an extremely desirable offering and one not to be jeopardized.
- f. There is need to facilitate the individual's procurement of single trip coverage on scheduled airlines, with arrangement for such offering through out-processing. (This facility has been agreed to by Omaha - as a convenience for us - if we desire to so place it.)
- g. There is need to arrange (probably as above) for trip coverage on non-scheduled and military aircraft. (It is possible to do this securely by special arrangement)
- h. The "exclusive remedy" aspect of FECA precludes the expenditure of appropriate dollars for the individual's benefit, in either premium cost or other substantive benefit in the life field. (excepting the small benefit in PL 110).

However, because of the nature of Agency mission - its high demand for devotion, its general and overriding security demands, the Agency must be prepared to spend appropriate needful administrative dollars to backstop all proper beneficial coverage measures.

- i. WAEPA shall not be denied a staff employee or staff agent at any time. The attribution factor contained in FECA is overriding. Choice must be confined to the person for the mission.
- j. At the present time the Task Force is not looking to legislation for resolution of our insurance problems.
- k. As fully illustrated from lack of knowledge among our employees of FECA - almost entirely, and of WAEPA - less so now, we must consider new ways and means to get information over to our employees. This is vitally important first in respect to mission, then in justice to the employee and last in respect to the importance of long-time solid career development program.
- l. Many aspects of the foregoing ask for technical insurance consultation with actuarial study, to conclude in respect to appropriate existing supplemental measures or self-insurance.

-6-

SECRET

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TAB A

1. Recapitulation as to continuing benefits after death.

a. In order to assess practically the asset values to the beneficiary in existing available protective measures, certain assumptions as to asset (or proceeds) disposition-methods are utilized as follows:

- (1) The widow's age is assumed at 30 years (because of the general youth of the Agency employees) in both examples to follow, i.e., widow is the only beneficiary in the first case, and widow and 2 children in the second - ages 5 and 6 years.
- (2) As to Ordinary Life Insurance. There is assumed a policy of \$10,000 face with double indemnity for accidental death.

The widow chooses to receive the proceeds immediately in the form of a monthly life income (20 years certain) in both examples. Disposal of these proceeds is illustrated by utilizing option 4, under an Ordinary Life policy written by United Benefit Life Insurance Co. of Omaha, Nebraska. The benefit is \$30.50 per month for the face of policy, or \$61.00 per month with the Double Indemnity feature.

- (a) The proceeds of this policy are not taxable as income unless left with the company at interest. Such interest is taxable.
- (3) As to FECA, in the summary following here, the examples shown in the analysis heretofore are used.
  - (a) The benefits here are not taxable as income.
- (4) As to CSRA, it is seen that its value is small - is of no consideration in the case of death in performance of duty, and is applicable under line-of-duty or not, to a widow alone only when she reaches 50 years. To a widow with children benefits are applicable immediately but are small.
  - (a) The benefits here are taxable as income under the annuity rule. (3% of total salary deduction until tax equals deductions, then all taxable.)
- (5) As to WAEPA in the term feature, it is assumed that the employee chose proceeds disposal on the basis of monthly installments payable immediately on his death for the 15-year period. This pays \$6.53 per month per \$1,000 of policy face (\$12,000 now), i.e., a total of \$78.36.
  - (a) The proceeds here are not taxable as income, in the same way as ordinary life.
- (6) As to WAEPA, in the accidental death feature, which must be paid in a lump sum (\$15,000 now), it is assumed that the single

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TAB A

beneficiary (wife only, age 30) is better served by her purchase of a single premium Deferred, Refunding Life Annuity payable in 20 years at her then age of 50 years (or earlier for less amount if she chooses or needs). On this basis, Guardian Life of N.Y.C. will, in 20 years, accumulate a cash value for her of \$24,135 and then pay her \$94.13 monthly for life and also refund the unused balance to her specified beneficiaries.

However, under this feature, in respect to the second example (the employee's beneficiaries are wife and 2 children, ages 5 and 6), it is deemed the part of wisdom for her to use the principal as she chooses under a Trust Fund arrangement, for a minimum of 12 years (until the children are 18 years old). The trusts now pay about  $\frac{1}{2}\%$  average on the investment and charge  $\frac{1}{2}\%$  on the fund earnings. This will net the beneficiary additional earnings over 12 years of about \$3,000 total, or an average earning of about \$250 per year. She takes out \$125.00 per month average for 12 years and uses up the principal.

- (a) The proceeds under WAEPA accidental death feature are not taxable as income, except as to interest or earnings.
- (7) As to CSRA (Civil Service Retirement Act) benefits, even though the beneficiary can choose as between CSRA and FECA, there is really no competition between the two. Each was designed for a different purpose. However, outside of performance of duty death, the sole beneficiary (widow only) waits until she is 50 years of age to benefit in a small way under CSRA. The widow with 2 children secures somewhat larger, though relatively small, benefits immediately following death, under CSRA. Here again there's no competition with FECA, hence the great importance of interpretation as to "performance of duty." The two cases used in the analysis proper are again utilized in the following summary.
- (a) The proceeds are taxable as income under the annuity rule.
- (8) In respect to National Service Life Insurance (veteran), the 15-year installment method of paying proceeds is chosen @ \$6.11 monthly per \$1000 of policy face. This is \$61.10 monthly.
- (a) These proceeds are not taxable as income.

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SUMMARY OF EXISTING AVAILABLE PROTECTIVE ASSETS IN TERMS OF THE PROCEEDS - DISPOSAL PLANS CHOSEN (MONTHLY PAYMENTS)

ASSUMPTIONS:

1. DEATH OF A GS-11 WITH 9 YEARS SERVICE
2. BENEFICIARY - AGE 30

BENEFICIARY	ASSET	PERFORMANCE OF DUTY				LINE OF DUTY OR NOT*		
		WITH ORDINARY LIFE		WITHOUT ORDINARY LIFE		WITH ORD. LIFE	WITHOUT ORD. LIFE	
WIFE ONLY	ORDINARY LIFE INSURANCE (FACE) " " " (D.I.)	30.50				30.50		
	FED 25X1A6a [REDACTED]	222.75	(+ 34.00)	222.75	(+ 34.00)			
	USRA							+ 33.42 AT AGE 50
	WAEPA (TERM) " (ACCIDENTAL DEATH)	78.36		78.36		78.36	78.36	+ 34.13 AT AGE 50
	TOTAL 25X1A6a [REDACTED]	362.11	(+ 34.00)	301.11	(+ 34.00)	139.36	78.36	+127.55 AT AGE 50
	NSLI	61.10		61.10		61.10	61.10	
	TOTAL 25X1A6a [REDACTED]	423.21	(+ 34.00)	362.21	(+ 34.00)	200.46	139.46	+127.55 AT AGE 50
	ORDINARY LIFE INSURANCE (FACE) " " " (D.I.)	30.50				30.50		
	FED 25X1A6a [REDACTED]	328.16	(+ 71.00)	328.16	(+ 71.00)			
	USRA					66.84	66.84	IMMEDIATELY AT DEATH
WAEPA (TERM) " (ACCIDENTAL DEATH)	78.36		78.36		78.36	78.36	TRUST FUND	
TOTAL 25X1A6a [REDACTED]	592.52	(+ 71.00)	531.52	(+ 71.00)	331.20	270.20		
NSLI	61.10		61.10		61.10	61.10		
TOTAL 25X1A6a [REDACTED]	653.62	(+ 71.00)	592.62	(+ 71.00)	392.30	331.30		

\* ANY DEATH OUTSIDE OF PERFORMANCE OF DUTY

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