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A consolidation analysis of the insured group benefits programs of a medium size manufacturing company : multi-carrier vs. single carrier

John Walter Ainslie

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A CONSOLIDATION ANALYSIS OF THE INSURED GROUP
BENEFIT PROGRAMS OF A MEDIUM SIZE MANUFACTURING
COMPANY - MULTI-CARRIER VS SINGLE CARRIER

BY

JOHN WALTER AINSLIE

June, 1960

A THESIS

SUBMITTED TO THE FACULTY OF THE
GRADUATE SCHOOL OF THE UNIVERSITY OF RICHMOND
IN CANDIDACY FOR THE
DEGREE OF MASTER OF SCIENCE IN
BUSINESS ADMINISTRATION

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CHAPTER I

THE GENERAL DEVELOPMENT OF GROUP INSURANCE

Since dawn's light first shone upon the cave man, he in his crude way, searched for security for himself and others who lived in his cave. While technological progress had revolutionized the method of seeking ways to make such provisions, the desire for the same has continued as the ultimate goal of the head of the family unit.

Through medieval times and on up to the industrial revolution, land and its improvements passed from father to son as the major asset of a security nature. When the father died, property passed on, discharging his responsibility to his family unit. People worked the land, made improvements on it and passed it on to the next generation. People were of two classes - those who owned the land and those attached to it in a servile capacity. This then was a crude form of group insurance, because if the owner died, property passed to his heirs; if the servant died, the family usually stayed on the land rendering services to the owner in return for some form of provisions for their subsistence.

With the coming of the industrial revolution this picture changed. Men and their families moved to towns and cities and became separated from the land. Then other property values came into existence. Among these was the ability of a man to perform a day's work, to produce a commodity

which could be exchanged for money paid to his employer, out of which his employer paid him a wage to provide the necessities for himself and family members.

Probably the most important socio-economic result of the industrial revolution was the detachment of the average man from land, making him a wage earner. Then, unlike the passing of land at death, his property values represented by wages ceased upon death; while subsistence for his family had to be provided by some source of income. Regardless of personal feelings, then as now, production must be maintained if wages are to continue. On this basis, the employer then as now, had to hire another man to do the job of the deceased and could not continue to pay his family in the absence of productivity. Therefore, many employers, who felt a moral obligation to the family of a deceased employee, resorted to "hat passing". This consisted of what he could take out of current income in one lump sum and the contributions received by passing the hat among the other employees. This sum was to provide the widow with enough money to bury the man and tide her over until she could find some gainful employment or return to a rural environment with her children.

In 1759, the first life insurance company in the United States, "The Corporation For Relief of Poor and Distressed Presbyterian Ministers and Poor and Distressed Widows and Children of Presbyterian Ministers" was

established in Philadelphia by the Synod of the Presbyterian Church.¹ With the establishment of the first insurance company, an ordinary citizen without property rights or much hope of establishing ample savings to provide for his survivors in the event of premature death could now deposit a small amount of money, with a fixed time for payment and with a definite contractual consideration that in return for this deposit premium, money would be available to accomplish the rearing of his children and to make provisions for his widow. The founding of this corporation initiated the life insurance business in the United States and other companies were formed.

The two life insurance industry developments of interest were the formation of mutual life insurance companies and stock life insurance companies. The mutual company would assess a member an amount of premium felt to be adequate for all risks involved, with the provisions that if losses were excessive, they had the right of additional assessment. If on the other hand losses were lower than the expectations, members had a right to share in the surplus in the form of dividends. Of the early mutual insurance companies, many failed because premiums charged were too low and assessments were not willingly paid. As a side light, mutual policies

1. This Company, now Presbyterian Ministers' Fund, is the oldest life insurance company in continued existence in the world. Institute of Life Insurance, 1959 Life Insurance Fact Book (488 Madison Ave., New York 22, N.Y.), Page 115.

underwritten today make a premium charge which they feel will be more than adequate to underwrite a given risk and offer a dividend formula to return surplus money over requirements to cover underwriting losses. Stock life insurance companies were formed by men who pooled their assets to make provisions to pay death claims and make a profit. The stock companies charged a premium which they felt was adequate to cover losses and make such a profit, but if losses were excessive, they had to make them good without assessment against policy holders. Today, stock companies charge an initial premium, lower than the initial mutual company premium, but this premium is a fixed one without dividend formulas. Up until the period just prior to the Civil War, both types of companies had a limited market because people could not see the value of contracted policies to pay a sum certain at a future time - the day of their death. In 1865, with the end of the War and the resulting economic chaos, both mutual and stock companies through merger, reorganization and new organization began to take their present form. Most of the giants of the insurance industry today started between 1850 and 1900.²

2. The ten leading life insurance companies (1959), based on total insurance in force, and their incorporation dates are: Metropolitan Life Ins. Co., 1868; Prudential Life Ins. Co., 1873; Equitable Life Assurance Society of U.S., 1859; Travelers Ins. Co., 1863; John Hancock Mutual Life Ins. Co., 1862; Aetna Life Ins. Co., 1850; New York Life Ins. Co., 1845; Connecticut General Life Ins. Co., 1865; Northwestern Mutual Life Ins. Co., 1857; Lincoln National Life Ins. Co., 1905. Source: The National Underwriter (insurance trade journal), 420 E. 4th Street, Cincinnati 2, Ohio.

During this period, life insurance sales took the form of the industrial debit nature whereby a man would take an amount of maybe \$500 to \$1,000 on which he paid a weekly premium to an insurance collector. With the turn of the century, many economic and social changes began to take place. The present income tax system had its inception in 1913. This tax, with its modest beginning, today represents a major factor in the real income that the citizens of this country have available to them, and has seriously curtailed the hopes and ambitions of a man to be able to lay aside, out of current income, enough money to make future provisions for his family in event of his premature death. A major consequence of this tax situation has been its impact on the life insurance industry due to social legislation by the federal government in making it possible for a firm to deduct from its taxable income that amount put into employee benefit plans of which group life insurance is the major item. This money, passing tax free to the beneficiary at the time of death of an employee, does make provisions for the creation of modest estates where there might have been none and provides a basis and incentive for an employee to purchase additional insurance for a more substantial estate.

About the same time that the income tax was begun, Montgomery Ward and Company in 1911 began negotiations

to effect an agreement between Montgomery Ward and Company and The Equitable Life Assurance Society of the United States for a master policy to be issued to Montgomery Ward covering the lives of its 2,912 employees for almost \$6,000,000 of insurance without evidence of insurability.³

As a result of the underwriting success of The Equitable Life Assurance Society coupled with the pioneering spirit of other major insurance carriers of the time entering the field, group life insurance got underway and by the close of World War II, the group concept of merchandizing life insurance had become a reality.⁴

With the close of World War II, master policies of group life insurance gradually climbed in numbers of groups insured, but with only nominal amounts on the individuals within the firm and did not represent any real ledger statement

-
3. "During the Negotiations of the Montgomery Ward case, extending from 1910 to 1912, one of the directors of the Equitable Life Assurance Society became interested in the possibilities of the group life method and decided to purchase such a policy for the employees of a small manufacturing firm he owned. This policy, issued by the Equitable Life Assurance Society to insure the employees of the Pantasote Leather Company of Passaic, New Jersey, became effective in June, 1911, and was the first policy written as group life insurance." Group Life Insurance, Davis W. Gregg, Ph.D., C.L.U., (Richard D. Irwin, Inc., Homewood, Illinois, 1957), P. 8.
 4. By 1918 there was \$630,000,000 volume of group life insurance in force (2,000 master policies - 750,000 certificates); by 1945 there was \$22,172,000,000 volume of group life insurance in force (31,000 master policies - 11,500,000 certificates). Ibid., pp 10-11.

costs. During this period, labor union strategy promulgated mainly by the A.F. of L. and the C.I.O. was being developed to include bargaining for more than just take home pay.

HEALTH INSURANCE - An interesting development in the form of employee benefits took place in 1927. Doctors and hospitals were beginning to feel the pressure for some corrective action where patients were being treated by physicians and confined in the hospitals with apparent ability to pay in most instances and inability to pay in some instances. Doctors and hospitals were faced with the grim reality that medical services and facilities were no different from other business enterprises in that they also required a proper relation of income to outgo if they were to continue rendering their necessary services. Blue Cross-Blue Shield had its conception by the fact that these people who could pay, based on earnings, but who had no money at the time, would be willing to prepay the cost of hospital-medical services on a monthly installment basis in return for a guaranteed contractual obligation on the part of a Blue Cross-Blue Shield plan to pay specified amounts offsetting the costs of these services at the time they were rendered. During the depression years this proved to be a very satisfactory arrangement for the physician, the hospital and the patient and enrollment was on the upturn.

With the success of the various Blue Cross-Blue Shield organizations which operated as separate corporate entities, usually with a separate plan covering each state and none giving nationwide coverage, the major life insurance companies as well as the casualty companies, entered the field in competition with them.

Going into World War II, with the pre-war economy, employee fringe benefits were a small part of most of the nation's employment programs.⁵ With the United States entering the war, the federal government made provisions to indemnify the beneficiary named by the serviceman in the amount of \$10,000 if his death occurred while he was in service.

At the cessation of hostilities and the return of servicemen to their former status, wage stabilization effected during the war was still in existence.⁶ Employers aware that they could not increase wages above specified limits and further recognizing that surplus profits were being paid out in the form of corporate taxes to the government, realized that even though they could not increase wages,

5. According to a survey of fringe benefit payments made by the U. S. Chamber of Commerce in 1957 fringe benefits increased from less than 10% of payroll in 1942 to 23.7% in 1957 (\$981 per year per employee). Chamber of Commerce of the United States, Fringe Benefits 1957, Washington 6, D. C., 1958.

6. Effective dates of wage stabilization were 1942 to 1947 and 1951 to 1953.

fringe benefits could be instituted to include group life insurance, medical care programs, monthly income plans to cover loss of time from accident and sickness and pension programs utilizing surplus corporate income dollars to make provisions for "their own". In the decade which followed, the agitation by the unions' demanding fringe benefits and managements' agreement, fringe benefits in the form of insured plans purchased on a group basis flourished and more group insurance was written in that decade than in all previous time (see Table I). Today, the employee benefit program does represent a real dollar and cents value on the corporate ledger and a substantial pocket book savings to the individual employee, realizing that comparable benefits without such a program would have to be purchased on an individual basis with pre-taxed dollars (see Exhibit I).

TABLE I

GROUP LIFE INSURANCE IN FORCE
IN THE UNITED STATES
(000 Omitted)

Year	No. of Master Policies	No. of Certifi- cates	Amount	Year	No. of Master Policies	No. of Certifi- cates	Amount
1912	°	12	\$ 13,000	1940	23	8,800	\$ 14,938,000
1915	.3	120	100,000	1945	31	11,500	22,172,000
1920	6	1,600	1,570,000	1950	56	19,288	47,793,000
1925	12	3,200	4,247,000	1955	89	31,640	101,300,000
1930	19	5,800	9,801,000	1958	134	38,716	144,607,000
1935	18	6,400	10,208,000				

°Less than 50 policies

Source: Institute of Life Insurance, 1959 Life Insurance Fact Book (488 Madison Ave., New York 22, N.Y.), p. 31. Totals for "In the United States" represent all life insurance (excluding reinsurance acquired) on residents of the United States, whether issued by U.S. or foreign companies. Figures exclude credit life insurance.

EXHIBIT I

GROUP INSURANCE BENEFIT PLANS PURCHASED BY EMPLOYER
 VS
 COMPARABLE BENEFITS PURCHASED BY INDIVIDUAL EMPLOYEE
 FEDERAL INCOME TAX CONSIDERATIONS

Assumption:

John Smith, age 30, employee of Apex Corporation earns \$5,500 per year and has a wife and two children. Apex Corporation, which is in the 52% tax bracket, purchased the following benefits for John Smith under their employee benefit program with cost distribution as follows:

	<u>Employee Benefit Plan</u>			<u>Individual Program</u>
	<u>Annual Cost</u>	<u>Firm Paid</u>	<u>Employee Paid</u>	<u>Employee Paid (Full Cost)</u>
<u>Life Insurance, \$5,500</u>				
Group Term:				
Individual 5 yr. term	\$46.06	\$46.06	-	\$ 38.00
<u>Accidental Death, \$5,500</u>	5.94	5.94	-	6.00
<u>Weekly Acc. & Sick. Income</u>				
(\$100 Per week)				
Group Plan - 1st day acc.	72.00	72.00	-	
8th day sick. - 26 weeks per disability				
Individual Plan - 1st day acc. - 8th day sick. - Lifetime acc. - 2 yr. sick.				174.00
<u>Employee Hospitalization</u>				
(Ample for area)	60.00	60.00	-	216.00
<u>Dependent Hospitalization</u>	132.00	-	132.00	
<u>Pension Plan (20% of salary)</u>	279.00	279.00	-	279.00
Annual Cost Distribution	\$595.00	\$463.00	\$132.00	\$713.00

Tax Factors on Employee Benefit Plan:

All plans are U. S. Treasury Department approved. Firm is allowed to deduct full amount of its contribution as expense.

Total Firm Contribution	\$463.00
52% Tax Deduction	<u>240.76</u>
Net Cost To Firm After Taxes	\$222.24
Total Employee Contribution	\$132.00
20% Tax on employee money	<u>33.00</u>
Taxable Income Employee Needs	\$165.00

EXHIBIT I
(continued)

Tax Factor on Individual Plan

Total cost of individual program	\$713.00
Cost of group dep. hosp. coverage	<u>132.00</u>
Additional cost of individual program	\$581.00

Taxable income employee would need to cover additional cost of individual program	\$726.25
52% tax deduction if firm would bear expense	<u>377.65</u>
Net cost to firm when bearing this expense	\$348.60
Net cost to firm when purchasing benefits	<u>222.24</u>
Net savings to firm after taxes	\$126.36

Additional cost realized by individual if purchasing program (income needed)	\$726.25
Value of benefits purchased by firm	<u>463.00</u>
Non-taxable value received by employee resulting from group insurance program	\$263.25

Pay Out Provisions:

Life Insurance

Either on employee benefit program or individual program proceeds pass tax free as income to beneficiary. Both would be includable for Federal Estate Tax purposes.

Accidental Death

Same as above.

Weekly Income For Accident or Sickness

Amounts up to \$100 weekly are received tax free to the employee beginning with the 8th day disability or with the 1st day of hospital confinement, whichever is earlier. This would be true under a formal or informal sick pay plan.

Employee and Dependent Hospitalization Benefit

These benefits are received tax free under either program provided the amount received does not exceed expenses incurred.

Pension Plan Benefits

Those benefits which are credited by the employee contribution are received tax free. Those benefits which are credited by employer contributions are taxable, however, those benefits will normally be low enough to meet the exemption requirement for a man and wife age 65 and over under present tax structure.

So far, we have been discussing losses that occur from "casket deaths" and medical care. Another major area of employee fringe benefits today is accident and sickness monthly income insurance. Accident and sickness benefits have helped in many instances to offset losses which have been described as a "living death" in the form of a temporary

accident or sickness or a total and permanent disability. To date, emphasis has been placed on the temporary accident or sickness, providing benefits usually not in excess of 70% of a man's salary while actively employed for a period of 13 weeks, 26 weeks, or 52 weeks. The insurance industry is, however, through advertising media and actuarial calculation, making long strides to provide income within a group plan for an accident or sickness, where an employee is totally and permanently disabled, to provide income for life.⁷

Today the government through provisions in its tax structure is encouraging the adoption of group accident and health plans providing for either temporary or total disability by allowing corporate tax deductions, as a business expense on any money put into such plans and allowing the employee to receive up to \$100 per week as non-reportable income for personal tax purposes.

SUMMARY - With the growing development of benefit plans in private industry spurred on by federal legislation and the government's progressive interest in social welfare, indications are for further growth in this area. There has been a definite trend as seen by the government's providing

7. These are representative insurance companies which are making strides through their advertising media to educate the American group insurance buyer on the need for long term disability income to age 65 or life for their employees, particularly their key employees: Continental Casualty Co., Chicago, Ill.; American Casualty Co., Reading, Pa.; The Prudential Insurance Co. of America, Newark, N. J.

social security benefits at retirement through an additional tax on persons while they are actively engaged and the provision of group life insurance on federal employees. In addition, Congress passed a law in 1959 to provide accident and health benefits for government employees.⁸ Also there is proposed legislation now pending to provide medical care for old age recipients of social security.⁹ More legislation can be expected to be forthcoming. In summary, we have come a long way since dawn's light first shone upon the cave man as he, in his crude way, searched for security for himself and others who lived in his cave and depended upon him.

With the foregoing preamble, an attempt shall be made to develop a study of the problems of a medium size, wide-spread manufacturing concern which, through acquisition and merger of several companies, is faced with in consolidation of insured employee benefit programs developed in each subsidiary, to arrive at a single employee benefit plan for that organization, taking into account the following objectives:

- 1) Plan to be placed in a single carrier.
- 2) No employee to have a lesser benefit, through consolidation, than that which he previously enjoyed.

8. Public Law 86-302, 86th Congress, S. 2162, September 28, 1959.

9. H. R. 4700, 86th Congress, February 18, 1959. (The Forand Bill)

- 3) The company as a whole to benefit from better administration of the employee benefit plan at a lower net cost to the employer.

CHAPTER II

HISTORICAL DEVELOPMENT OF THE COMPANY AND ITS SUBSIDIARIES

The Albemarle Paper Manufacturing Company was incorporated and Hollywood Mill was built in Richmond, Virginia in 1887. This mill, later added to and improved, was named for nearby historic Hollywood Cemetery. It still operates, drawing water power from the Old James River and Kanawha Canal. This mill with its 100 employees, manufactures principally blotting paper and high grade absorbent paper specialties which are shipped to all parts of the world. It produces about 25 tons of paper per day on an 80-inch-trim Fourdrinier paper machine.

In 1919 the nearby Dixie Paper Mills, Inc., which had started operations in 1914, was bought. With the subsequent addition of buildings and two paper machines -- 100-inch-trim and 120-inch-trim Fourdriniers -- it is today the Brown's Island Mill at the foot of South Seventh Street. Here are made various grades of kraft papers such as wrapping, sack, laminating, gumming, tirewraps, printed wrapping and colored kraft paper specialties of many kinds. Production by its 250 employees is approximately 110 tons of paper per day, about 50 tons of which is in turn printed on the high speed Flexographic presses in this mill.

Riverside Mill, across Tredegar Street from Hollywood Mill, was built in 1925. An 80-inch-trim Fourdrinier machine

was installed but was moved to Roanoke Rapids, North Carolina in 1947. This mill today houses a waterproof paper plant, started in 1943. Its 50 employees produce approximately 100 tons of asphalt laminated, saturated, and waxed paper per day. This mill also houses a modern multi-wall sack plant, which began operations in 1948 and now 60 employees produce approximately 100,000 large cement, fertilizer, and other types of multiwall sacks daily.

In 1937 the Halifax Paper Company, Inc., in Roanoke Rapids, North Carolina, was purchased and became a wholly owned operating division. This mill had started operation in 1907, and in 1909 was the first mill in the United States to make sulphate kraft pulp. The pulp mill there which makes kraft pulp from southern pine logs purchased in the region or cut on Company lands has been gradually enlarged from 25 to 550 tons per day capacity and has 750 employees.

The original 90-inch Fourdrinier machine is still operating which, with the machine moved from Richmond, produces 75 tons of kraft paper per day. In 1952, a new paper mill was built housing a modern 230-inch-trim high speed Fourdrinier machine producing more than 200 tons of kraft paper per day. In 1959, a second 230-inch-trim machine was added to the paper mill.

Pulp from the pulp mill not used on the machines in Roanoke Rapids is used in the Richmond Mills, along with

special pulp bought from other companies. The Company now owns or has long-term leases on approximately 200,000 acres of timberlands. Company foresters supervise and plant thousands of pine seedlings on these lands every year. The Company also assists local land owners in planting their land and in good forestry practices. Through a 2-way radio, the foresters keep in touch with the mills and help fight fires in the surrounding woodlands.

In 1955 the Raymond Bag Company (now Raymond Bag Corporation) in Middletown, Ohio was purchased. Raymond was founded in Cincinnati in 1896 and was moved to Middletown in 1910. It manufactures multiwall shipping sacks used in packaging agricultural and food products, building materials, chemicals, drugs, dyes and minerals. It produces about 500,000 sacks per day with its approximately 350 employees.

In 1957 Albemarle bought the Interstate Bag Company in Walden, New York. Its 175 employees make about 400,000 paper shopping bags with patented paper handles daily. Founded in Newburgh, New York, in 1906 where bags were made by hand, it moved to its present location in 1911.

The assets of the Tredegar Company in Richmond were acquired in 1957. This joined the Company's properties at Brown's Island and at Hollywood and Riverside Mills. The Tredegar Company was founded in 1836. It produced munitions for the Confederacy including the iron plate for the "Merriam". In recent years horseshoes, railroad spikes and

naval gun shells were its principal products. Its operations were discontinued and, at present, the Albemarle Research Laboratories are housed in the renovated office building. Various other uses are being made of the property, including plans for the future expansion of the Richmond operations.

Also acquired in 1957 was a block and one half of property on Gambles Hill in Richmond which overlooks the entire river front mill property and will be used as the future site for the Company's 125 general office employees.

In 1958 the James River Pulp Company at Columbia, Virginia was purchased. It is a small mill which makes pulp by grinding pine logs with millstones. It has a limited capacity and fewer than 20 employees.

In 1959 the Company acquired the Randolph Paper Box Corporation in Richmond. This company, an outgrowth of the Randolph Paper Box Company, which was founded in 1832, manufactures folding boxes for the food, textile and tobacco industries with about 60 employees.

In August 1959, the Company acquired the Richmond Container Corporation in Richmond. This company was founded in 1954 and manufactures various types of corrugated boxes and shipping containers. There are about 75 employees.

The bag, box and waterproof operations use about 50% of the paper we produce. The rest is sold as wrapping paper or to other manufacturers of high grade kraft paper products.

such as envelopes, bags, gummed tape, corrugated boxes, oil filters, gaskets, building and insulating papers.

Today, including all organizations, there are about 2,200 employees and the total payroll exceeds \$10,000,000 per year. Annual sales are over \$38,000,000 with sales offices located in New York, Chicago, Cleveland, Philadelphia, Baltimore, Buffalo, Des Moines, Kansas City, Louisville, and Minneapolis; also Columbus, Charlotte, Detroit, Houston and St. Louis. It requires an average of approximately \$17,000 in present-day values of land, buildings, equipment, inventories and other assets to provide each job in the Company.

CHAPTER III

PRELIMINARY CONSIDERATIONS FOR CONSOLIDATION

It is understandable that when a manufacturing firm acquires another through merger or outright purchase, personnel in the acquired operation do not wish to lose their identity and the firm may wish to continue many of its current policies and procedures. The parent company usually does not wish to disturb the status quo within the new subsidiary so long as there is no conflict with their management policies. In those subsidiaries where the employees are represented by a union, a unilateral change in such things as employee benefit plans is practically impossible where benefits would be affected. Therefore, the manufacturing company which this study covers shows a definite and distinct history of separate employee benefit planning for each subsidiary before and after acquisition by the parent company.

At the outset of this study it was readily found that each firm had its own distinct philosophy in matters of insured employee benefits. Each firm had different levels of benefits for life insurance, accident and sickness weekly indemnity, and medical care programs. Each firm had selected its own insurance carriers for different benefits. Some firms in the matter of medical care had deemed it best to enter into contracts with commercial carriers, whereas others had felt they would be better served in the enrollment of their

employees in the Blue Cross-Blue Shield plans. One firm had entered into a community hospital service contract with a hospital and staff physicians to render medical care for its employees and their dependents on a cost plus basis for normal medical care. This was supplemented with Blue Cross-Blue Shield to provide care for services not available through the community plan.

The industrial relations department of the parent company, charged with the administration of employee group benefit plans became somewhat disturbed as acquisition continued. It was apparent that continued growth of such plans with various carriers would breed inefficiencies in the overall employee benefit program. One source of dissatisfaction was the lack of knowledge of exactly what benefits were offered in each subsidiary at what gross and net costs. The industrial relations department was at a disadvantage, without the compilation of this data, to determine which direction management should take toward standardizing the benefits on an overall company basis.

At this point it was felt that it would be beneficial to engage the services of an outside consultant to prepare a preliminary survey to determine the feasibility of consolidating all insured programs under a single carrier with one master contract. The Ebasco Services Incorporated of

New York City prepared a study which included: 1) a brief review of the Plans of the Company; 2) a detailed analysis of the financial experience of the Plans since their inception; and 3) a recommendation that all Plans be consolidated under one carrier.¹

After reviewing this report, the industrial relations department felt that consolidation should be carried out and requested the services of a local insurance broker with the facilities to carry through the actual mechanics of consolidation. The reason for dealing with a local broker was obvious in that necessary services could be performed on a more personal contact basis. The industrial relations department worked in close cooperation with the broker, visiting each plant location to obtain contract information and historical data and employee census data to furnish to group insurance carriers, information upon which the carriers could base their underwriting of the Plans as a single unit.

At the time the analysis was undertaken each plant had benefits insured with several different carriers as shown in Exhibit I.

1. "Cost Analysis of Group Insurance Program of Albemarle Paper Manufacturing Company and Subsidiary Companies", Ebasco Services Incorporated, March, 1959, (2 Rector Street, New York, New York), *passim*.

EXHIBIT I

THE ALBEMARLE PAPER MANUFACTURING COMPANY SUBSIDIARIES' GROUP BENEFIT PLANS AND RESPECTIVE CARRIERS

	<u>Life Insurance</u>	<u>Accidental Death</u>	<u>Accident and Sickness</u>	<u>Hospitalization</u>
Albemarle Paper Mfg. Co. - Richmond, Va.	Aetna	None	Liberty Mutual	Blue Cross-Blue Shield
Halifax Paper Co.- Roanoke Rapids, N.C.	Aetna	None	Aetna	Community Hospital Plan & Blue Cross-Blue Shield
Interstate Bag Co.- Walden, N. Y.	Travelers	None	N. Y. D. B. L.	Blue Cross-Blue Shield & Travelers (Employees only)
Randolph Paper Box - Richmond, Va.	Travelers	Travelers (Non-occupational)	A Va. Mfrs. Assn. Plan (Travelers)	Travelers
Raymond Bag Co. - Middletown, Ohio	Travelers (Contributory & Non-Contrib.)	None	Aetna	Blue Cross-Blue Shield
Richmond Container Corp.- Richmond, Va.	New England Mutual	New England Mutual (24 hr. Coverage)	New England Mutual	N.E. Mutual (Comprehensive Medical)
Seaboard Mfg. Corp.- Richmond, Va.	Aetna	NONE	Liberty Mutual	Blue Cross-Blue Shield

NOTE: In addition, the Albemarle Paper Manufacturing Company carries Group Life Insurance through the Virginia Manufacturers Association Group Life Insurance Plan for member firms (Travelers Policy) on salaried employees in the various companies and this should be figured into the total Group Life Insurance Plan on the basis of the schedule remaining the same.

CHAPTER IV

ANALYSIS OF THE PRESENT GROUP INSURANCE PLANS

Incorporated within the following section is an analysis of the group insurance benefits showing unit and total costs and contract histories and census data for each subsidiary in the company. Analysis of the group insurance plans are self explanatory. Benefit levels having been set up in the analysis, census data on each employee had to be obtained in order for insurance carriers to determine the rates at which they would be willing to underwrite all programs as a unit. Census data on 2,200 employees would be too bulky to include in this paper, therefore, a sample census data sheet for each subsidiary is presented to illustrate the information needed.

It is essential that complete census data be obtained for the following underwriting reasons:

Name or Employee Number - needed merely for identification.

Sex - since female employees develop morbidity* greater than male employees under accident and sickness and hospitalization coverage, rates are loaded as female content increases.

Marital Status and Number of Children - required knowledge when underwriting medical care benefits for dependents of an employee.

* Incidences of claims against accident and health coverages for which claims are paid out in direct proportion to premiums paid in to any given group accident and health program.

Date of Birth - weights the life insurance rate based on the ages of individuals making up the group and also gives the underwriter a clear picture of age distribution when rating hospitalization and accident and sickness contracts due to the fact morbidity increases within the group as age increases.

Date Employed - needed only to establish that the employee has satisfied the company's waiting period time between employment and eligibility for coverage.

Basic Earnings - needed to establish classification of employee for benefits when they are based on earning schedules.

Occupation - needed to allow underwriting consideration of unusual or more hazardous occupation than normal.

ANALYSIS
of the
GROUP INSURANCE PROGRAM

of

ALBEMARLE PAPER MANUFACTURING COMPANY

RICHMOND, VIRGINIA

LABOR RELATIONS

**LOCAL 661, United Papermakers and Paperworkers, and
The United Papermakers and Paperworkers, affiliated
with the AFL - CIO.**

AGREEMENT

July 1, 1959 to June 30, 1961

GROUP LIFE INSURANCE
ALBEMARLE PAPER MANUFACTURING COMPAN

Carrier: **AETNA LIFE INSURANCE COMPANY**
 Master Policy Number: **1709-R**
 Effective Date: **January 14, 1933**
 Renewal Date: **January 14, 1960**

THE SCHEDULE OF BENEFITS

<u>Classification</u>	<u>Amount of Insurance</u>
<u>PRESIDENT</u>	\$15,000
<u>OTHER EXECUTIVES</u>	
\$25,000 or more	10,000
less than \$25,000	5,000
age 65 and over	4,000
<u>ALLOTHER EMPLOYEES</u>	
Salesmen	3,000
Foremen and Clerical Employees	2,000
All other employees	1,

Rate: November 14, 1959 billing

579 lives - \$818,400

\$1.07 per M =
Employee pays .70 per

\$875.69
572.88

Company pays .37 per

\$302.81

COMMENTS

Total and Permanent Disability Benefit - Provides for payment of proceeds after six months of disability in monthly installments of \$18 per \$1,000 but not 1 than \$27.00 per month with interest at 3-1/2% disability end before proceeds paid out; commuted value of remaining installments is amount of insur

COMMENTS

CONTRACT HISTORY

ORIGINAL CONTRACT BENEFITS - January 14, 1933

CLASSIFICATION

AMOUNT OF INSURANCE

Executives	\$4,000
Salesmen	3,000
Foremen and Clerical Employees	2,000
All other employees	1,000

PRESENT CONTRACT BENEFITS

Adopted October 27, 1954

RETIRED EMPLOYEES: May 1954

Wage Employees - Reduced to \$500

Salaried Employees - Remain inforce at amount day prior to retirement

No payment of premium by retired employees

GROUP ACCIDENTAL DEATH OR DISMEMBERMENT
ALBEMARLE PAPER MANUFACTURING COMPANY

Carrier:

Master Policy Number: **NONE**

Effective Date:

Renewal Date:

THE SCHEDULE OF BENEFITS

Classification

Amount of
Insurance

Rate:

COMMENTS

GROUP ACCIDENT AND SICKNESS

ALBEMARLE PAPER MANUFACTURING COMPANY

Carrier: LIBERTY MUTUAL INSURANCE COMPANY
 Master Policy Number: G.D.-1051-205331
 Effective Date: August 1, 1952
 Renewal Date: August 1, 1960

THE SCHEDULE OF BENEFITS

<u>Classification</u>		<u>Amount of Weekly Indemnity</u>
<u>HOURLY RATE EMPLOYEES</u>	<u>EMPLOYEES</u>	
Less than \$1.45	1	\$25.00
1.45 through 1.75	256	30.00
Over 1.75		40.00

Rate: November 30, 1959 billing

371 lives -\$12,265 - \$.407 per \$10 = \$576.46

Employee pays 50% 288.23
 Firm pays 50% 288.23

COMMENTS

1st day accident - 8th day sickness.
 13 weeks per disability.
 Age 60 - 1 limit claim per year.
 Maternity benefits - 6 weeks per disability.

Salaried employees not covered under this plan.

COMMENTS
ALBEMARLE PAPER MANUFACTURING COMPANY

CONTRACT HISTORY

ORIGINAL CONTRACT BENEFITS - August 1, 1952

Males	\$25
Females	20

PRESENT CONTRACT BENEFITS

Adopted December 1, 1956

CONTRACT RATE CHANGES

Original August 1, 1952 (.56 per \$10)

Males	\$1.40
Females	1.11

December 1, 1956 (.47 per \$10)

Class I	\$1.18
Class II	1.41
Class III	1.88

GROUP HOSPITALIZATION BENEFITS

ALBEMARLE PAPER MANUFACTURING COMPANY

Carrier: VIRGINIA HOSPITAL - MEDICAL ASSOCIATION, INC.

Master Policy Number: BLUE CROSS - BLUE SHIELD

Effective Date:

Renewal Date:

EMPLOYEE BENEFITS

<u>Classification</u>	<u>Hospital Daily Benefit</u>	<u>Hospital Extras</u>	<u>Surgical Benefits</u>	<u>Rate</u>
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BLUE CROSS - BLUE SHIELD BENEFITS OF THE VIRGINIA MEDICAL SERVICE ASSOCIATION ARE MADE AVAILABLE TO THE SALARIED AND HOURLY EMPLOYEES ON AN EMPLOYEE PAY ALL BASIS, FOR HIMSELF AND HIS FAMILY MEMBERS.

DEPENDENT BENEFIT

<u>Classification</u>	<u>Hospital Daily Benefit</u>	<u>Hospital Extras</u>	<u>Surgical Benefits</u>	<u>Rate</u>
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COMMENTSALBEMARLE PAPER MANUFACTURING COMPANYEMPLOYEE INFORMATION ON EMPLOYEE BENEFIT PLANSLIFE INSURANCELABOR AGREEMENT

Not covered

EMPLOYEE HANDBOOK

Life Insurance of \$1,000 under an employees' group policy is available after six months employment. This costs you 70¢ per month by payroll deduction. The Company pays the remaining cost. The beneficiary may be changed at any time upon your written request to the Personnel Department; You may elect to have your beneficiary receive the insurance in one lump sum or in monthly installments. If you become totally and permanently disabled before age 60, the face value of the policy is payable to you in monthly installments after a six months waiting period.

ACCIDENT AND SICKNESSLABOR AGREEMENTArticle II Section D

Section D: The Company will assist hourly rated employees by paying one-half the cost of a group insurance plan for health and accident benefits with a weekly benefit of \$25.00 for employees under \$1.45 per hour, \$30.00 for those at \$1.45 to \$1.75 and \$40.00 for those over \$1.75 in case of disability resulting from a non-occupational accident or a disease for which benefits are not payable under Workmen's Compensation Law. The weekly benefits start with the first day of disability in the event of accident and with the eighth day in the event of sickness and are payable throughout disability to a maximum of thirteen (13) weeks for any one disability. Usual limitations will apply to benefits in maternity ca

EMPLOYEE HANDBOOK

SICKNESS AND ACCIDENT INSURANCE under an employees' group policy is available after six months service. Employees are eligible for weekly benefit payments during time lost due to sickness after one week waiting period as indicated in the following schedule. The third column is your monthly cost by payroll deduction for this insurance and the Company pays the remaining cost.

<u>HOURLY RATE</u>	<u>WEEKLY BENEFITS</u>	<u>YOUR COST PER MONTH</u>
Under \$1.45	\$25.00	\$0.59
1.45 - 1.75	30.00	0.70
Over 1.75	40.00	0.96

COMMENTS**ALBEMARLE PAPER MANUFACTURING COMPANY****EMPLOYEE HANDBOOK (Accident and Sickness) - continued**

The same benefits are also payable during lost time due to any off-the-job accident, without any waiting period. These benefits are payable for a maximum of 13 weeks for any one case. Employees over age 60 may not receive more than 13 weeks benefits in any one year. Maternity cases are limited to employees who have been insured nine months and receive a maximum of six weeks benefits. To obtain these benefits you must be under a doctor's care and he must fill out and sign a claim form which you can obtain from the Plant Nurse or the Personnel Department. The Personnel Department will give you an application to sign for this insurance.

HOSPITALIZATION**LABOR AGREEMENT** --

Not covered

EMPLOYEE HANDBOOK

HOSPITALIZATION AND MEDICAL-SURGICAL INSURANCE under the Blue Cross and Blue Shield Plan is available after six months service. Employees' dependents may also be insured. The entire cost of this insurance is paid by the employee by authorized payroll deduction. Full information and application forms will be given you by the Personnel Office.

These last three insurances require no physical examination if applied for within 30 days of your becoming eligible. Should you not take them during this period and wish to later on, you may have to qualify by doctor's examination and/or wait for certain enrollment dates. Should you leave the employ of the Company, these insurances will be canceled. The life insurance and Blue Cross may be converted to individual policies without physical examination by application to the insurance company concerned within 30 days. You will be given a policy for each such insurance shortly after signing your application.

ANALYSIS
of the
GROUP INSURANCE PROGRAM

of

HALIFAX PAPER COMPANY, ROANOKE RAPIDS, N. C.

**A DIVISION OF THE ALBEMARLE PAPER MANUFACTURING CO.
RICHMOND, VIRGINIA**

LABOR RELATIONS

UNITED PAPER MAKERS AND PAPER WORKERS

AFL - CIO

AND

HALIFAX LOCAL NO. 425

UNITED PAPER MAKERS AND PAPER WORKERS

SEPTEMBER 1958

GROUP LIFE INSURANCE

HALIFAX PAPER COMPANY

Carrier: **METNA LIFE INSURANCE COMPANY**

Master Policy Number: **8093**

Effective Date: **May 28, 1939**

Renewal Date: **May 28, 1960**

THE SCHEDULE OF BENEFITS

<u>Classification</u>	<u>Amount of Insurance</u>	
	<u>UNDER AGE 65</u>	<u>OVER AGE 65</u>
EXECUTIVE \$25,000 and over	\$10,000	\$5,000
EXECUTIVE less than \$25,000	5,000	2,500
Salaried Male	5,000	2,500
Salaried Female	3,500	1,750
<u>PRODUCTION EMPLOYEES AS FOLLOWS:</u>		
Foremen	7,500	3,750
Others:		
Above \$2.34 per hour	5,000	2,500
1.89 - 2.34 per hour	3,500	1,750
1.84 - 1.89 per hour	2,000	1,000
Less than 1.84	1,000	500

Rate:

664 lives - \$2,515,500 - \$.67 per M =	\$1,685.38
Employees pay .52 per M =	<u>1,308.06</u>
Company pays .15 per M =	\$ 377.32

COMMENTS

STANDARD T.P.D. - WAIVER OF PREMIUM

GROUP ACCIDENTAL DEATH OR DISMEMBERMENT
HALIFAX PAPER COMPANY

Carrier:

Master Policy Number:

Effective Date: NONE

Renewal Date:

THE SCHEDULE OF BENEFITS

Classification

Amount of
Insurance

Rate:

COMMENTS

GROUP ACCIDENT AND SICKNESS

HALIFAX PAPER COMPANY, INC.

HOURLY EMPLOYEESCarrier: **AETNA LIFE INSURANCE COMPANY**Master Policy Number: **GS-6216**Effective Date: **May 28, 1939**Renewal Date: **May 28, 1960**THE SCHEDULE OF BENEFITSClassificationAmount of
Weekly IndemnityEARNINGS

Above \$2.34 per hour	\$40.00
1.89 - 2.34 per hour	40.00
1.84 - 1.89 per hour	40.00
Under 1.84	30.00

Rate: **November 1959 billing**

551 lives - \$21,760 - \$.48 per \$10 =	\$1,044.48
Employees pay (.39 per \$10) =	<u>848.64</u>
Company pays (.09 per \$10) =	\$ 195.84

COMMENTSCOVERAGE

1st day accident - 8th day sickness.
13 weeks per disability - age 60 - 1 limit claim per year.

No maternity benefits.

Contract originally written eliminating first 7 days for both accident and sickness.
Salaried employees not covered under this plan. Removed February 1955.

COMMENTS

HALIFAX PAPER COMPANY, INC.

ORIGINAL CONTRACT BENEFITS - MAY 28, 1939

<u>CLASSIFICATION</u>	<u>WEEKLY INDEMNITY</u>
Resident Managers, Superintendents, Department Heads and Foremen	\$15.00
<u>ALL OTHER EMPLOYEES</u>	
Skilled	10.00
Unskilled	5.00
	.81 per \$10

CONTRACT CHANGE - OCTOBER 28, 1955

Resident Managers, Superintendents, Department Heads and Foremen	\$15.00
<u>ALL OTHER EMPLOYEES</u>	
Salaried Employees	10.00
Hourly Employees	30.00
	.66 per \$10

CONTRACT CHANGE - MARCH 14, 1956

Salaried Employees Excluded

HOURLY RATE OF BASIC EARNINGS

\$1.75 or more	\$40.00
Less than \$1.75	30.00
	.66 per \$10

CONTRACT CHANGE - JUNE 14, 1959

Raymond Bag added to Halifax
Contract with the following benefits:

Males	\$40.00
Females	25.00

CONTRACT CHANGE - NOVEMBER 14, 1959

Employees of Halifax Reclassified
"A" "B" "C" "D" on present schedule

GROUP HOSPITALIZATION BENEFITS
HALIFAX PAPER COMPANY, INC.

Carrier:
Master Policy Number: HOSPITAL AND MEDICAL CARE FOR EMPLOYEES OF HALIFAX PAPER COMPANY, INC.
Effective Date: PROVIDED BY ROANOKE RAPIDS HOSPITAL CO., HALIFAX CLINIC PHYSICIANS
Renewal Date:

EMPLOYEE BENEFITS

<u>Classification</u>	<u>Hospital Daily Benefit</u>	<u>Hospital Extras</u>	<u>Surgical Benefits</u>	_____	_____	_____	<u>Rate</u>
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DEPENDENT BENEFITS

<u>Classification</u>	<u>Hospital Daily Benefit</u>	<u>Hospital Extras</u>	<u>Surgical Benefits</u>	_____	_____	_____	<u>Rate</u>
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GROUP HOSPITALIZATION BENEFITS - SUPPLEMENTAL

Carrier: HALIFAX PAPER COMPANY, INC.
Master Policy Number: HOSPITAL SAVINGS ASSOCIATION OF NORTH CAROLINA, INC. BLUE CROSS - BLUE SHIELD
Effective Date: CHAPEL HILL, NORTH CAROLINA
Renewal Date:

EMPLOYEE BENEFITS

<u>Classification</u>	<u>Hospital Daily Benefit</u>	<u>Hospital Extras</u>	<u>Surgical Benefits</u>	_____	_____	_____	<u>Rate</u>
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DEPENDENT BENEFITS

<u>Classification</u>	<u>Hospital Daily Benefit</u>	<u>Hospital Extras</u>	<u>Surgical Benefits</u>	_____	_____	_____	<u>Rate</u>
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GROUP HOSPITALIZATION BENEFITS - FOR EMPLOYEES OUTSIDE HAL. MED. AREA
HALIFAX PAPER COMPANY, INC.

Carrier:

Master Policy Number:

HOSPITAL SAVINGS ASSOCIATION OF NORTH CAROLINA, INC.

Effective Date:

CHAPEL HILL, NORTH CAROLINA

Renewal Date:

EMPLOYEE BENEFITS

<u>Classification</u>	<u>Hospital Daily Benefit</u>	<u>Hospital Extras</u>	<u>Surgical Benefits</u>	_____	_____	_____	<u>Rate</u>
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DEPENDENT BENEFITS

<u>Classification</u>	<u>Hospital Daily Benefit</u>	<u>Hospital Extras</u>	<u>Surgical Benefits</u>	_____	_____	_____	<u>Rate</u>
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COMMENTS
HALIFAX PAPER COMPANY, INC.

EMPLOYEE INFORMATION ON EMPLOYEE BENEFIT PLANS

LABOR AGREEMENT

Not covered

EMPLOYEE HANDBOOK

No employee handbook

ACCIDENT & SICKNESS

LABOR AGREEMENT

Not covered

EMPLOYEE HANDBOOK

No employee handbook

PAMPHLET

Published by the Aetna Life Insurance. Outlines benefits and costs as shown in schedule.

HOSPITALIZATION

LABOR AGREEMENT

Not covered

EMPLOYEE HANDBOOK

No employee handbook

PAMPHLET

"Hospital And Medical Care For Employees Of Halifax Paper Company, Inc. Provided by: Roanoke Rapids Hospital Company, Halifax Clinic Physicians (explained in hospital section).

PAMPHLET

Blue Cross - Blue Shield (Hospital Savings Association of North Carolina, Chapel Hill, North Carolina) Supplemental Plan (described in hospital section).

COMMENTS

HALIFAX PAPER COMPANY, INC.

HOSPITALIZATION

PAMPHLET

Blue Cross - Blue Shield (Chapel Hill) Basic Hospital and supplemental.
For employees outside of area served by Roanoke Rapids Hospital Company,
Halifax Clinic, Physicians. (Explained in hospital section)

OFFICE AND/OR PLANT PERSONNEL OF:

Halifax Paper Company, Inc.

Name	Amount of Life Ins.		Sex	Marital Status	Tax Ex-emp's	Date of Birth			Date Employed			Basic Earnings (See Footnote)	Weekly A & S Indemnity
	Contrib.	Non-Contrib.				Mo.	Day	Year	Mo.	Day	Year		
R. S. A.	\$5,000		M			11	22	33	02	02	59		
A. N. A.	3,500		F			09	11	32	05	29	50		
B. B. B.	5,000		M			04	11	34	01	28	57		
R. S. B.	5,000		M			12	16	03	11	21	23		
J. B. B.	5,000		M			11	24	28	02	07	55		
D. J. B.	5,000		M			10	09	27	09	01	49		
R. A. B.	5,000		M			09	28	23	03	10	52		
L. C. B.	3,500		F			11	01	28	04	02	56		
E. A. C.	5,000		M			05	12	15	01	04	54		
M. C. C.	3,500		F			02	11	31	04	01	57		
A. C. C.	5,000		M			09	19	00	08	05	40		
H. N. C.	3,500		F			12	16	27	08	05	57		
L. S. C.	5,000		M			02	02	24	09	05	55		
S. B. D.	3,500		F			08	17	34	06	04	56		
A. K. D.	5,000		M			01	24	30	08	29	56		
D. D. D.	5,000		M			09	25	33	03	04	57		
R. H. D.	5,000		M			07	19	23	11	25	57		
H. A. D.	3,500		F			02	09	04	12	07	54		
D. A. E.	5,000		M			06	04	16	03	01	42		

MARITAL STATUS CODES: Married—M; Single—S; Widowed, Divorced, or Separated—W.
 In "Basic Earnings" Column, insert Hourly, Weekly, Semi-Monthly, Monthly, or Annually.
 Base earnings on 40-Hour week. Estimate dates of birth or employment when necessary.

ANALYSIS
of the
GROUP INSURANCE PROGRAM
of

INTERSTATE BAG CO., WALDEN, N.Y.

**A DIVISION OF THE ALBEMARLE PAPER MANUFACTURING CO.
RICHMOND, VIRGINIA**

LABOR RELATIONS

NON-UNION PLANT

GROUP LIFE INSURANCE
INTERSTATE BAG COMPANY

Carrier: THE TRAVELERS INSURANCE COMPANY
 Master Policy Number: G-153775
 Effective Date: October 17, 1941
 Renewal Date: October 17, 1960

CONTRIBUTORY
THE SCHEDULE OF BENEFITS

<u>Classification</u>	<u>Amount of Insurance</u>		
I Actively Employed Officer, Director, Manager, Director of Engineering, Assistant Office Manager, Sales Correspondent, Personnel Manager, Mechanical Engineer, Sales Manager (Open Territory), Superintendent of Inspection, Superintendent of Shipping	\$9,000		
II Foreman	6,000		
III All other occupations and positions (Retired employees in this category) (No decision on retired employees in classes I & II)	1,000 500		
Rate: October 1, 1959 Billing			
160 lives	\$346,000	@ \$1.48 per M. =	\$ 512.08
2 Retired (\$500)	<u>1,000</u>	Employees pay .60 per M	<u>207.60</u>
	\$345,000	Company pays .88 per M	\$ 304.48

COMMENTS

STANDARD T.P.D. - WAIVER OF PREMIUM

COMMENTS
INTERSTATE BAG COMPANY

CONTRACT BENEFITS OCTOBER 16, 1942CLASSIFICATION

Actively employed officer, managers

AMOUNT

\$2,500

OTHER EMPLOYEES

Employee earning \$25 per week or more

1,000

Employee earning less than \$25

500

CONTRACT BENEFITS CHANGE MARCH 16, 1950CLASSIFICATIONAMOUNTActively Employed Officers, Directors or
Managers

\$4,000

All others

1,000

CONTRACT CHANGE JULY 1, 1955

Present schedule

GROUP ACCIDENTAL DEATH OR DISMEMBERMENT

INTERSTATE BAG COMPANY

Carrier:

Master Policy Number: NONE

Effective Date:

Renewal Date:

THE SCHEDULE OF BENEFITS

Classification

Amount of
Insurance

Rate:

COMMENTS

GROUP ACCIDENT AND SICKNESS
~~INTERSTATE BAG COMPANY~~

Carrier: NEW YORK STATE DISABILITY BENEFITS LAW
 Master Policy Number: D.B.L. 17-394
 Effective Date: July 1, 1957
 Renewal Date: July 1, 1960

THE SCHEDULE OF BENEFITS

<u>Classification</u>	<u>Amount of Weekly Indemnity</u>
ALL EMPLOYEES - 50% of average weekly wages (based upon last 8 weeks of employment) with a maximum benefit of \$45.00 per week.	

	\$.64 per quarter per \$100. of average monthly male payroll.	
	\$.85 per quarter per \$100. of average monthly female payroll.	
Rate:	\$31,092 Female X .85 per \$100 =	\$264.28
	103,926 Male X .64 per \$100 =	<u>561.20</u> = \$825.48/quart
	Employee pays ½ of 1% of up to \$60 per week but not more than 30¢ per week	<u>675.09/quart</u>
	Company pays	\$150.39/quart

COMMENTS

8th day accident - 8th sickness.
 26 weeks of disability during 52 consecutive weeks.
 No maternity benefit unless incurred after return to work of two consecutive weeks following termination of pregnancy.

Had Traveler's Accident and Sickness prior to entering N.Y., D.B.L.

This benefit is not to be included in the consolidation.

GROUP HOSPITALIZATION BENEFITS
INTERSTATE BAG COMPANY

Carrier: TRAVELERS INSURANCE COMPANY

Master Policy Number: GA. 153775A.

Effective Date: 7-13-43

Renewal Date: 10-17-60

EMPLOYEE BENEFITS

<u>Classification</u>	<u>Hospital Daily Benefit</u>	<u>Hospital Extras</u>	<u>Surgical Benefits</u>	<u>MAXIMUM MATERNITY BENEFIT</u>		<u>MONTHLY Rate</u>
<u>SAME AS LIFE</u>						
Class I	\$6.	\$30.	C-150-1939	\$114.	<u>168 ACTIVE EMPLOYEES</u> @ \$1.273 =	\$213.86
Class II	5.	25.	C-150-1939	105.		
Class III	5.	25.	C-150-1939	105.	<u>5 RETIRED EMPLOYEES</u> @ \$2.72 =	13.60
					TOTAL	<u>\$227.46</u>
					Company pays	\$227.46

DEPENDENT BENEFITS (NONE)

<u>Classification</u>	<u>Hospital Daily Benefit</u>	<u>Hospital Extras</u>	<u>Surgical Benefits</u>		<u>Rate</u>
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In addition the employees may enroll themselves in the New York Blue Cross - Blue Shield plans. For this reason coverage of the Traveler's policy is one of dubious benefit because the plan does not provide dependent coverage. At the most, it could be utilized for supplemental pay for a hospitalized disabled employee. This program should probably be cancelled and the funds now being utilized, either revert to the company or used to offset the employee's cost of Blue Cross - Blue Shield.

COMMENTS

Page 56

INTERSTATE BAG COMPANY

EMPLOYEE INFORMATION ON EMPLOYEE BENEFIT PLANS

LIFE INSURANCE

LABOR AGREEMENT

None

EMPLOYEE HANDBOOK

None

ACCIDENT AND SICKNESS

LABOR AGREEMENT

None

EMPLOYEE HANDBOOK

None

PAMPHLET: By - New York D.B.L. Administrators

HOSPITALIZATION

LABOR AGREEMENT

None

EMPLOYEE HANDBOOK

None

ANALYSIS
of the
GROUP INSURANCE PROGRAM
of

RANDOLPH PAPER BOX CORP., RICHMOND, VA.

A DIVISION OF THE ALBEMARLE PAPER MANUFACTURING CO.

LABOR RELATIONS

Non-Union Plant

GROUP LIFE INSURANCE
RANDOLPH PAPER BOX CORPORATION

Carrier: **TRAVELERS INSURANCE COMPANY**

Master Policy Number: **G-182790**

Effective Date: **May 1, 1951, Master Policy Assigned to Albemarle
 April 13, 1959**

Renewal Date: **November 1, 1960**

THE SCHEDULE OF BENEFITS

<u>Classification</u>	<u>Amount of Insurance</u>
OFFICE	\$2,500
HOURLY	1,000

Rate: **December 1, 1959 billing:**

74 lives - \$98,000 - .778 per M =	\$77.22
Non-contributory -- company pays	77.22

COMMENTS

STANDARD T.P.D. - WAIVER OF PREMIUM

CONTRACT HISTORY

No Change

GROUP ACCIDENTAL DEATH OR DISMEMBERMENT

RANDOLPH PAPER BOX CORPORATION

Carrier: TRAVELERS INSURANCE COMPANY

Master Policy Number: 15314

Effective Date: May 1, 1951

Renewal Date: November 1, 1960

THE SCHEDULE OF BENEFITS

<u>Classification</u>	<u>Amount of Insurance</u>
OFFICE	\$2,500
	1,000

(NON-OCCUPATIONAL)

Rate: December 1, 1959 billing

74 lives - \$98,000 - .08 per M = \$7.84

Non-Contributory - Company pays 7.84

COMMENTS

GROUP ACCIDENT AND SICKNESS

RANDOLPH PAPER BOX CORPORATION

Carrier: TRAVELERS INSURANCE COMPANY - PLANS CARRIED THROUGH
VIRGINIA MANUFACTURERS ASSOCIATION MASTER PLAN

Master Policy Number:

Effective Date:

Renewal Date:

THE SCHEDULE OF BENEFITS

<u>Classification</u>	<u>Salary or wage rate</u>	<u>Amount of Weekly Indemnity</u>
I	Less than 30.00	\$15.00
II	30.00 but less than 37.50	20.00
III	37.50 but less than 45.00	25.00
IV	45.00 but less than 52.50	30.00
V	52.50 but less than 60.00	35.00
VI	60.00 and over	40.00

Rate:

NON-CONTRIBUTORY COMPANY PAYS \$480.00 Quarterly
Monthly Basis would be: \$160.00

COMMENTS

1st day accident - 8th day sickness .

26 weeks per disability, no age 60 limitation .

Maternity benefits six weeks .

Salaried employees are covered.

COMMENTS

RANDOLPH PAPER BOX CORPORATION

CONTRACT HISTORY

Firm originally had accident and sickness weekly benefits with
Traveler's under Randolph Plan - Benefits were:

<u>CLASSIFICATION</u>	<u>AMOUNT OF INDEMNITY</u>
OFFICE (including officers)	\$35.00 per week
Factory	\$20.00 per week

GROUP HOSPITALIZATION BENEFITS
RANDOLPH PAPER BOX CORPORATION

Carrier: **TRAVELERS INSURANCE CORPORATION**

Master Policy Number: **GA-182790**

Effective Date: **November 1, 1955**

Renewal Date: **November 1, 1960**

EMPLOYEE BENEFITS

<u>Classification</u>	<u>Hospital Daily Benefit</u>	<u>Hospital Extras</u>	<u>Surgical Benefits</u>	<u>In-Hospital Medical Expense</u>	<u>Rate</u>
OFFICE	\$11.00	\$220.00	\$200.00	\$3.00 per day	\$2.064
FACTORY	8.00	160.00	200.00	3.00	2.610
	31 days per disability			\$93.00 max.	

NON-CONTRIBUTORY COMPANY PAYS \$161.52
December 1, 1959 billing (74 employees)

DEPENDENT BENEFITS

<u>Classification</u>	<u>Hospital Daily Benefit</u>	<u>Hospital Extras</u>	<u>Surgical Benefits</u>	<u>In-Hospital Medical Expense</u>	<u>Rate</u>
OFFICE	\$11.00	\$220.00	\$200.00	\$3.00 per day	\$5.528
FACTORY	8.00	160.00	200.00	3.00	4.424
	31 days per disability			\$93.00 max.	

EMPLOYEES PAY DEPENDENT COST
December 1, 1959 billing (36 dependents) = \$172.51

COMMENTS

RANDOLPH PAPER BOX CORPORATION

EMPLOYEE INFORMATION ON EMPLOYEE BENEFIT PLAN

LIFE INSURANCE

LABOR AGREEMENT

None

EMPLOYEE HANDBOOK

None

ACCIDENT & SICKNESS

LABOR AGREEMENT

None

EMPLOYEE HANDBOOK

None

HOSPITALIZATION

LABOR AGREEMENT

None

EMPLOYEE HANDBOOK

None

All benefits described in insurance booklet published by Travelers and distributed to employees.

OFFICE AND/OR PLANT PERSONNEL OF:

Randolph Paper Box Corporation

Name	Amount of Life Ins.		Sex	Marital Status	Tax Ex-emp	Date of Birth			Date Employed			Basic HOURLY Earnings (See Footnote)	Weekly A & S Indemnity
	Contrib.	Non-Contrib.				Mo.	Day	Year	Mo.	Day	Year		
N. A.		\$1,000			5	07	10	24	10	19	59	\$1,000	\$25
D. W. B.		1,000			1	05	25	39	08	19	59	1,200	30
R. B.		1,000			4	05	27	33	05	05	59	1,150	30
N. R. B.		1,000			6	09	12	23	04	13	59	1,650	40
J. L. B.		1,000			1	10	16	40	04	27	59	1,250	30
L. D. B.		1,000			2	12	26	00	04	13	59	1,850	40
C. F. B.		1,000			6	05	18	35	10	14	59	1,150	30
D. R. B.		1,000			1	12	22	39	06	29	59	1,200	30
M. M. B.		1,000			1	07	18	40	10	27	59	1,250	30
E. M. B.		1,000			3	02	21	26	04	13	59	1,850	40
L. O. B.		1,000			6	08	08	14	04	13	59	1,300	30
A. B.		1,000			2	01	20	13	08	03	59	1,050	25
M. R. C.		1,000			2	01	23	03	04	13	59	2,000	40
L. T. C.		1,000			1	06	22	33	08	10	59	1,050	25
C. B. C.		1,000			2	11	19	00	04	13	59	1,250	30
G. N. D.		1,000			3	05	03	31	04	13	59	1,250	30
W. W. F.		1,000			3	09	21	15	04	13	59	2,000	40
W. G. G.		1,000			4	03	28	32	04	13	59	1,100	25
J. L. B.		1,000			2	05	17	17	06	17	59	1,050	25
H. H.		1,000			3	02	09	22	04	13	59	106.00*	40

MARITAL STATUS CODES: Married—M; Single—S; Widowed, Divorced, or Separated—W.
 * "Basic Earnings" Column, insert Hourly, Weekly, Semi-Monthly, Monthly, or Annually.
 Base earnings on 40-Hour week. Estimate dates of birth or employment when necessary.

* WEEKLY

ANALYSIS
of the
GROUP INSURANCE PROGRAM

of

RAYMOND BAG COMPANY, MIDDLETOWN, OHIO

**A DIVISION OF THE ALBEMARLE PAPER MANUFACTURING CO.
RICHMOND, VA.**

LABOR RELATIONS

**INTERNATIONAL BROTHERHOOD OF PULP, SULPHITE AND PAPER MILL
WORKERS AND ITS AFFILIATED LOCAL 310**

LABOR AGREEMENT

May 5, 1959 - May 1, 1960

GROUP LIFE INSURANCE
RAYMOND BAG COMPANY

NON-CONTRIBUTORY *

Carrier: TRAVELERS INSURANCE COMPANY

Master Policy Number: 1985

Effective Date: December 2, 1920

Renewal Date: December 2, 1960

THE SCHEDULE OF BENEFITS

<u>Classification</u>	<u>Amount of Insurance</u>
Executives and Salesmen	\$1,500
Other Employees *	500

- * Insurance on other employees increase by \$100 per year to a maximum of \$1,500 upon completion of 10 years service.

Rate: October 1959 billing

351 lives - \$463,300 @ \$.963 per \$1,000 =	\$446.16
Employee pays =	Nothing
Company pays =	\$446.16

COMMENTS

T.P.D. BENEFIT. PROVIDES FOR PAYMENT OF PROCEEDS AFTER SIX MONTHS OF DISABILITY IN SINGLE PAYMENT OR IN 5-10-15-20 ANNUAL INSTALLMENTS WITH INTEREST AT 3½%. IF DISABILITY ENDS BEFORE PROCEEDS ARE PAID OUT, THE COMMUTED VALUE OF THE REMAINING ANNUAL INSTALLMENTS IS THE AMOUNT OF INSURANCE ON EMPLOYEE.

CONTRACT HISTORY

NO CHANGES IN THIS PLAN FROM INCEPTION DATE 1920.

- * The Raymond Bag Company has both contributory and non-contributory plans under the same master contract with the same carrier.

GROUP LIFE INSURANCE

RAYMOND BAG COMPANY

CONTRIBUTORY

Carrier: TRAVELERS INSURANCE COMPANY

Master Policy Number: 1985

Effective Date: 10-8-25 Contributory Plan

Renewal Date: 10-8-60

THE SCHEDULE OF BENEFITS

<u>Classification</u>	<u>Amount of Insurance</u>
A. Officers, Salesmen, Foremen, Male Office Employees and Foreladies	\$2,000
B. Male Employees not included in Class A and Female Office Employees	1,000
C. Female Factory Employees	500

Rate: October 1959 billing

287 lives - \$334,500 - @ .976 per M =	\$ 326.47
Employees pay .75 per M	250.88
Company pays .226 per M	\$ 75.59

COMMENTS

Company has both contributory and non-contributory program with the following total figures for both plans:

Total Volume	\$797,800
Total Cost	772.63
Employees pay - .75 per M contributory plan (\$334,500)	<u>250.88</u>
Company pays 446.16 non-contrib. (\$463,300)	
plus .226 per M contrib. (\$334,500)	\$ 521.75

T.P.D. BENEFIT - SAME AS NON-CONTRIBUTORY PLAN

NO CHANGES IN THIS PLAN FROM INCEPTION DATE 1925

GROUP ACCIDENTAL DEATH OR DISMEMBERMENT

RAYMOND BAG COMPANY

Carrier:

Master Policy Number: NONE

Effective Date:

Renewal Date:

THE SCHEDULE OF BENEFITS

Classification

Amount of
Insurance

COMMENTS

GROUP ACCIDENT AND SICKNESS

RAYMOND BAG COMPANY

Carrier: AETNA LIFE INSURANCE COMPANY

Master Policy Number: RIDER TO HALIFAX PAPER COMPANY CONTRACT

Effective Date: June 14, 1959 Rider

Renewal Date: June 14, 1960

THE SCHEDULE OF BENEFITS

<u>Classification</u>	<u>Employee Monthly Contribution</u>	<u>Amount of Weekly Indemnity</u>
A. Female Employees	\$.80	\$25.00
B. Male Employees	1.30	40.00

Rate: November 14, 1959

231 lives - \$8,085 - .48 per \$10 = \$388.08

Employees pay		
Females .80	=	263.50
Males 1.30		<u>\$124.58</u>
Company pays		

COMMENTS

1st day accident - 8th day sickness.
 13 weeks per disability.
 Age 60 limitation - 1 limit claim per year.
 No maternity benefits.

Salaried employees not covered under this plan. (Certain salaried employees have individual contracts with Mutual of Omaha for weekly disability income and hospital benefits paid for entirely by the employee on a payroll deduction basis.)

RIDER TO HALIFAX CONTRACT 1959

GROUP HOSPITALIZATION BENEFITS
RAYMOND BAG COMPANY

Carrier: **BLUE CROSS-BLUE SHIELD OF OHIO**
Master Policy Number: **PAYROLL DEDUCTION BASIS - EMPLOYEE PAY ALL**
Effective Date:
Renewal Date:

EMPLOYEE BENEFITS

<u>Classification</u>	<u>Hospital Daily Benefit</u>	<u>Hospital Extras</u>	<u>Surgical Benefits</u>	_____	_____	_____	<u>Rate</u>
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* COMPANY PAY COST FOR EMPLOYEE (BUT NOT FAMILY MEMBERS) WITH FIVE YEARS SERVICE.

90 day waiting period for employee to become eligible

* Benefits provided and cost of plan is not known to the writer.

DEPENDENT BENEFITS

<u>Classification</u>	<u>Hospital Daily Benefit</u>	<u>Hospital Extras</u>	<u>Surgical Benefits</u>	_____	_____	_____	<u>Rate</u>
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COMMENTS

RAYMOND BAG COMPANY

EMPLOYEE INFORMATION ON EMPLOYEE BENEFIT PLANS

LIFE INSURANCE

LABOR AGREEMENT

9.5 Employees' group life insurance base policy will be carried for sickness or accident for a period of ninety days, and at the expiration of said time employee must report to Plant Management for further consideration.

9.6 In case of sickness or accident employees will be considered on Company payroll for a period of six months, and at the expiration of such time, if employee is not available for work, such employee will be automatically cancelled from payroll unless a further extension is agreed upon by the Plant Management and Adjustment Committee.

11.2 The group life insurance policy (which the Company gives to each employee after six months of service) will be carried for a period of 120 days after the employee leaves our service to enter military service. Upon the employee's reemployment after his discharge from the military service, the Company will make reasonable effort to have his insurance reinstated in the amount which would have been in effect if the employee had been working continuously in the plant instead of being in the military service.

EMPLOYEE HANDBOOK

A new employee after six months continuous service with the Company will be provided free of cost, with \$500 of Life Insurance coverage. Each year thereafter the Company will increase this coverage in the amount of \$100 up to a maximum of \$1500. Life Insurance in addition to that paid by the Company is available at reduced group rates.

ACCIDENT AND SICKNESS

LABOR AGREEMENT

12.9 The Company agrees at its sole cost and expense to employ a trained nurse to be on duty daily from 8:00 A.M. to 5:00 P.M.

EMPLOYEE HANDBOOK

A Sickness and Accident Benefit Plan based on income is also available. You may apply for this at the Personnel Office.

COMMENTS

RAYMOND BAG COMPANY

HOSPITALIZATION

LABOR AGREEMENT

12.10 Blue Cross Plan Hospital Care has been and will be available to all employees caring to subscribe to the same through The Raymond Bag Corporation's payroll deduction plan. The Company agrees for the life of this Agreement, to absorb for each employee who has a continuous service record of five years or more with the Company and who is now a subscriber of, or who may subscribe for, such Blue Cross Plan Hospital Care contract an amount equal to the cost of a single one-party contract between such employee and the Blue Cross Plan Hospital Care Group carried by such employee in conjunction with The Raymond Bag Corporation's payroll deduction plan. This covenant includes the absorption of the single contract premium regardless of whether the rate is revised upward or downward during the life of this Agreement.

EMPLOYEE HANDBOOK

Blue Cross and Blue Shield Hospitalization plan is available to all employees at group rates through the Company's payroll deduction plan. Application for this coverage is available during the first ninety days from the beginning date of employment. It is suggested that employees subscribe within this ninety day period, otherwise application can be made only once each year between the 1st and 15th of October. You may apply for this at the Personnel Office.

An employee not working must make his or her hospitalization payment to the PAYROLL DEPARTMENT no later than the 15th of each month. Hospitalization coverage automatically expires if two payments in succession are missed.

CENSUS DATA SHEET FOR

OFFICE AND/OR PLANT PERSONNEL OF:

Raymond Bag Company

Name	Amount of Life Ins.		Sex	Marital Status	Tax Ex-empts	Date of Birth			Date Employed			Basic HOURLY Earnings (See Footnote)	Weekly A & S Indemnity
	Contrib.	Non-Contrib.				Mo.	Day	Year	Mo.	Day	Year		
C. A.	\$1,000	\$ 800	M		1	09	23	30	08	29	56	\$1.91	\$40
M. A.	1,000	500	M		3	09	30	19	11	13	58	2.08	40
R. A.		1,000	M		10	05	30	35	03	24	55	1.85	40
H. A.	1,000	1,500	M		6	08	26	16	07	20	54	2.30	40
E. A.		1,300	F		3	12	17	31	05	31	51	1.85	25
O. A.	500	1,500	F		1	03	07	07	11	20	36	1.76	25
R. D. A.	1,000	800	M		2	02	26	38	03	20	56	2.09	40
Z. A.		1,500	F		1	03	13	15	01	03	47	1.66	25
M. A.	500	1,500	F		1	09	03	00	08	13	43	1.76	25
D. B.	500	1,500	F		1	10	23	09	06	26	41	1.66	25
N. B.	1,000	1,500	M		5	11	26	24	08	08	44	2.39	40
E. B.	1,000	1,100	M		8	04	02	26	03	04	53	1.85	40
E. B.	1,000	800	M		9	04	07	13	09	22	55	1.82	40
F. B.	1,000	1,500	M		2	12	15	20	12	04	46	1.91	40
P. B.			M		3	08	16	35	03	08	59	1.91	40
P. B.	500	1,500	F		1	07	07	04	10	16	45	1.66	25
S. B.	500	1,500	F		1	11	29	04	10	15	34	1.76	25
D. B.		1,500	F		1	02	19	10	07	31	25	1.76	25
S. B.		900	M		1	02	04	10	11	16	54	1.82	40

FAMILY STATUS CODES: Married—M; Single—S; Widowed, Divorced, or Separated—W.
 Basic Earnings' Column, insert Hourly, Weekly, Semi-Monthly, Monthly, or Annually.
 Earnings on 40-Hour week. Estimate dates of birth or employment when necessary.

CENSUS DATA SHEET FOR

OFFICE AND/OR PLANT PERSONNEL OF:

Raymond Bag Company

Name	Amount of Life Ins.		Sex	Marital Status	Tax Ex-emp	Date of Birth			Date Employed			Basic Earnings (See Footnote)	Weekly A & S Indemnity
	Contrib.	Non-Contrib.				Mo.	Day	Year	Mo.	Day	Year		
M. A.	\$2,000	\$1,000	F		0	07	09	17	05	21	56		
W. M. A.			M		4	12	03	27	06	15	59		
T. B. A.	2,000	1,500	M		2	03	26	05	01	17	49		
T. H. B.	2,000	1,500	M		3	10	16	12	09	30	52		
C. B.	2,000	1,500	M		4	11	14	09	09	08	28		
P. B.			F		0	02	11	34	03	10	59		
K. B.	2,000	1,500	F		1	11	26	14	02	23	37		
S. B.	2,000	1,500	M		1	12	04	10	06	12	28		
M. J. B.		900	F		1	03	28	35	07	25	55		
R. T. B.	2,000	1,500	M		0	09	15	88	02	01	18		
E. B.	2,000	1,500	M		2	05	05	08	04	05	37		
C. B.	500	1,500	F		1	07	17	03	06	28	43		
C. N. B.	2,000	1,500	M		1	04	13	03	05	15	22		
C. C.	2,000	1,500	M		2	11	16	16	04	29	35		
I. M. C.	2,000	1,500	F		1	07	30	02	03	08	23		
L. E. C.	2,000	1,500	F		1	02	04	11	06	03	48		
B. C.	2,000	1,500	M		2	03	03	96	10	06	22		
G. S. C.		1,500	F		2	11	23	19	06	07	37		
J. R. C.	2,000	2,000	M		4	03	07	13	06	02	52		
B. C.	2,000	1,500	M		2	12	22	97	04	10	22		

MARITAL STATUS CODES: Married—M; Single—S; Widowed, Divorced, or Separated—W.
 "Basic Earnings" Column, insert Hourly, Weekly, Semi-Monthly, Monthly, or Annually.
 earnings on 40-hour week. Estimate dates of birth or employment when necessary.

ANALYSIS
of the
GROUP INSURANCE PROGRAM
of

RICHMOND CONTAINER CORP., RICHMOND, VA.

**A DIVISION OF THE ALBEMARLE PAPER MANUFACTURING CO.
RICHMOND, VA.**

LABOR RELATIONS

NON-UNION PLANT

GROUP LIFE INSURANCE
RICHMOND CONTAINER CORPORATION

Carrier: **NEW ENGLAND MUTUAL LIFE INSURANCE COMPANY**
(Initial Policy G-1442 issued October 1, 1957)
Master Policy Number: **G-1442A Revised - Reissued October 1, 1958)**

Effective Date: **October 1, 1958**

Renewal Date: **October 1, 1960**

SCHEDULE OF BENEFITS

<u>Classification</u>	<u>Amount of Insurance</u>		
	<u>Under Age 65</u>	<u>Age 65 but less than 70</u>	<u>Age 70 and over</u>
President or Treasurer	\$18,000	\$13,500	\$9,000
Vice President, Secretary, Sales Manager	10,000	7,500	5,000
Other Salaried Employees	5,000	3,750	2,500
Hourly Employees	2,000	1,500	1,000

Insurance reduces 1/4 at age 65, another 1/4 at age 70, to result in 1 that amount in force prior to age 65.

For employee who is pensioned or retired, insurance ceases.

Rate: **December 1, 1959 billing**

57 lives - \$181,000 @ \$1.24 per M =	\$224.44
Employees pay Nothing	
Company pays	\$224.44

COMMENTS

T.P.D. BENEFIT - WAIVER OF PREMIUM

CONTRACT HISTORY

NO CHANGES IN THIS PLAN SINCE 1957 INCEPTION DATE

GROUP ACCIDENTAL DEATH OR DISMEMBERMENT

RICHMOND CONTAINER CORPORATION

24 HOUR COVERAGE

Carrier: NEW ENGLAND MUTUAL LIFE INSURANCE COMPANY

(INITIAL POLICY G-1442 issued October 1, 1957)

Master Policy Number: G-1442A Revised - Reissued October 1, 1958)
G-1442A

Effective Date: October 1, 1958

Renew October 1, 1960

THE SCHEDULE OF BENEFITS

			<u>Amount of Insurance</u>
	<u>UNDER AGE 65</u>	<u>AGE 65 but less than 70</u>	<u>AGE 70 and over</u>
PRESIDENT OR TREASURER	\$18,000	\$13,500	\$9,000
Vice President, Secretary, Sales Manager	10,000	7,500	5,000
Other Salaried Employees	5,000	3,750	2,500
Hourly Employees	2,000	1,500	1,000

Insurance reduces 1/4 at age 65, another 1/4 at age 70 to result in 1/2 of that amount in force prior to age 65.

For employee who is pensioned or retired, insurance ceases.

Rate:

December 1, 1959 billing

57 lives - \$181,000 - @ .09 per M = \$16.29

Employees pay nothing
Company pays \$16.29COMMENTS

GROUP ACCIDENT AND SICKNESS
RICHMOND CONTAINER CORPORATION

Carrier: **NEW ENGLAND MUTUAL LIFE INSURANCE COMPANY**
(Initial Policy G-1442 issued October 1, 1957)
Master Policy Number: **G-1442A revised - reissued October 1, 1958**

Effective Date: **October 1, 1958**

Renewal Date: **October 1, 1960**

SCHEDULE OF BENEFITS

<u>Classification</u>	<u>Amount of Weekly Indemnity</u>
President or Treasurer	None
Vice President, Secretary, Sales Manager	None
Other salaried employees	None
<u>HOURLY EMPLOYEES AS FOLLOWS:</u>	
Weekly earnings \$70.00 or more	\$40.00
Weekly earnings less than \$70.00	35.00

For employee who is pensioned or retired insurance ceases.

Rate: **December 1, 1959 billing**

40 lives - \$1,425 - @ .68 per \$10 =	\$96.90
Employees pay	Nothing
Company pays	\$96.90

COMMENTS

1st day accident - 8th day sickness - 1st day hospital cc
26 weeks per disability.
No age limitations.
No maternity benefits.

NO CHANGES

GROUP HOSPITALIZATION BENEFITS
RICHMOND CONTAINER CORPORATION

Carrier: NEW ENGLAND MUTUAL LIFE INSURANCE COMPANY

Master Policy Number: Initial Policy G-1442 issued October 1, 1957

Effective Date: October 1, 1958 G-1442A Revised - Reissued October 1, 1958

Renewal Date: October 1, 1960

90 day waiting period after employment

EMPLOYEE BENEFITS

<u>Classification</u>	<u>Hospital Daily Benefit</u>	<u>Hospital Extras</u>	<u>Surgical Benefits</u>	<u>Monthly Rate</u>
All employees	Comprehensive Medical Program Maximum benefit \$7,500			\$4.94 X57 Emps.
(Not more than \$7,500 will be paid during any 3 consecutive years unless satisfactory evidence of insurability is established after \$1,000 of expense)				December 1st billing \$281.58
Hospital - First \$500 in full - 80% balance				
Surgical-Medical - \$50 deductible per calendar year - then 80% of all expenses				

MATERNITY

Delivery of child or children	\$200	Abnormal maternity (defined) covered as regular comprehensive claim
Caesarean Section	400	
Miscarriage	100	

DEPENDENT BENEFITS

<u>Classification</u>	<u>Hospital Daily Benefit</u>	<u>Hospital Extras</u>	<u>Surgical Benefits</u>	<u>Monthly Rate</u>
	Same as employee covered			\$12.85 X50 Deps.
				December 1, 1959 billing \$642.50
Total cost of employee and dependent hospitalization				\$924.08
Employees pay				Nothing
Company pays				\$924.08

COMMENTS

RICHMOND CONTAINER CORPORATION

EMPLOYEE INFORMATION ON EMPLOYEE BENEFIT PLANS

LIFE INSURANCE

LABOR AGREEMENT

None

EMPLOYEE HANDBOOK

None

ACCIDENT AND SICKNESS

LABOR AGREEMENT

None

EMPLOYEE HANDBOOK

None

HOSPITALIZATION

LABOR AGREEMENT

None

EMPLOYEE HANDBOOK

None

OFFICE AND/OR PLANT PERSONNEL OF:

Richmond Container Corporation

Name	Amount of Life Ins.		Sex	Marital Status	Tax Ex-emp	Date of Birth			Date Employed			HOURLY-BASIC WEEKLY Earnings (See Footnote)	Weekly A & S Indemnity
	A. D. & D. Contrib.	Non-Contrib.				Mo.	Day	Year	Mo.	Day	Year		
T. N. A.	\$2,000	\$2,000	M	M	3	04	16	17	06	21	57	\$1.50	\$35
C. A.	2,000	2,000	M	M	3	02	08	11	05	24	55	1.50	35
D. A.	2,000	2,000	M	M	5	09	22	29	08	23	57	1.50	35
A. J. B.	18,000	18,000	M	M	2	08	11	11	08		54	Manager	--
J. B.	2,000	2,000	M	M	2	03	06	32	12	01	58	1.47	35
R. J. B.	5,000	5,000	M	S	0	04	24	26	07	07	58	2.25	--
J. B.	5,000	5,000	M	M	0	09	28	21	09	25	56	135.00*	--
G. E. C.	2,000	2,000	M	M	0	01	09	19	12	06	54	1.92	40
A. R. D.	2,000	2,000	M	M	0	07	24	04	08	08	54	1.55	35
H. G. D.	2,000	2,000	M	M	0	10	26	92	12	06	54	1.57	40
M. E. D.	10,000	10,000	M	M	0	08	20	20	08	16	54	140.00*	--
R. W. E.	5,000	5,000	M	M	9	05	18	25	09	20	54	135.00	--
R. E. E.	2,000	2,000	M	M	0	01	02	23	05	24	55	1.65	35
V. R. E.	5,000	5,000	F	M	0	01	04	16	11	08	54	80.50	--
S. W. F.	2,000	2,000	M	M	0	03	24	22	10	13	54	1.78	40
P. T. G.	2,000	2,000	M	M	0	01	18	38	06	25	56	1.63	35
R. R. H.	2,000	2,000	M	M	0	07	12	94	04	09	59	1.50	35
R. A. H.	2,500	2,500	M	M	0	02	08	12	08	05	55	1.50	35
F. M. H.	5,000	5,000	M	M	0	03	20	20	04	16	57	110.00*	--
C. C. H.	2,000	2,000	M	M	0	11	23	23	10	05	58	1.72	35

* Company Salesman - Weekly Salary
 MARITAL STATUS CODES: Married—M; Single—S; Widowed, Divorced, or Separated—W.
 "Basic Earnings" Column, insert Hourly, Weekly, Semi-Monthly, Monthly, or Annually.
 earnings on 40-Hour week. Estimate dates of birth or employment when necessary.

ANALYSIS
of the
GROUP INSURANCE PROGRAM
of

SEABOARD MANUFACTURING CORP., RICHMOND, VA.

**A DIVISION OF THE ALBEMARLE PAPER MANUFACTURING CO.
RICHMOND, VA.**

LABOR RELATIONS

**LOCAL 698 UNITED PAPER MAKERS AND PAPER WORKERS AND
THE UNITED PAPER MAKERS AND PAPER WORKERS AFFILIATED
WITH A.F.L.-C.I.O.**

LABOR AGREEMENT

NOVEMBER 1, 1959

GROUP LIFE INSURANCE
SEABOARD MANUFACTURING CORPORATION

Carrier: **AETNA LIFE INSURANCE COMPAN**

Master Policy Number: 1709 R.

Effective Date: **May 1, 1948 AN EXTENSION BY RIDER OF ALBEMARLE CONTRACT**

Renewal Date:

THE SCHEDULE OF BENEFITS

<u>Classification</u>	<u>Amount of Insurance</u>
FOREMEN AND CLERICAL EMPLOYEES	\$2,000
OTHER SEABOARD MANUFACTURING EMPLOYEES	\$1,500

Rate: **November 30, 1959 billing**

98 lives - \$152,500	-	\$1.07 per M	\$163.18
		Employees pay .466 per M	<u>61.07</u>
		Company pays .604 per M	\$102.11

COMMENTS

T.P.D. BENEFIT - PROVIDES FOR PAYMENT OF PROCEEDS AFTER SIX MONTHS OF DISABILITY WITH SAME PAY OUT PROVISIONS AS ALBEMARLE

CONTRACT HISTORY

NO CHANGES

GROUP ACCIDENTAL DEATH OR DISMEMBERMENT

SEABOARD MANUFACTURING CORPORATION

Carrier:

Master Policy Number:

NONE

Effective Date:

Renewal Date:

THE SCHEDULE OF BENEFITS

Classification

Amount of
Insurance

Rate:

COMMENTS

GROUP ACCIDENT AND SICKNESS

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SEABOARD MANUFACTURING CORPORATION

HOURLY EMPLOYEES

Carrier: LIBERTY MUTUAL INSURANCE COMPANY

Master Policy Number: G.D. 05-5331

Effective Date:

Renewal Date:

THE SCHEDULE OF BENEFITS

<u>Classification</u>		<u>MONTHLY RATE</u>	<u>Amount of Weekly Indemnity</u>
<u>HOURLY RATE EMPLOYEES</u>	<u>EMPLOYEES</u>		
Less than \$1.45	30	\$1.18	\$25.00
1.45 through 1.75	51	1.41	30.00
Over 1.75	10	1.88	40.00

Rate: November 30, 1959 billing

91 lives - \$2,680 - .407 per \$10 =	\$126.11
Employee pays 50%	<u>63.06</u>
Company pays 50%	\$ 63.05

COMMENT

1st day accident - 8th day sickness.
13 weeks per disability.
Age 60 - 1 limit claim per year.
Maternity Benefits - 6 weeks per disability.

(SALARIED EMPLOYEES NOT COVERED UNDER THIS PLAN.)

SEE ALBEMARLE CONTRACT PROVISION

GROUP HOSPITALIZATION BENEFIT
SEABOARD MANUFACTURING CORPORATION

Carrier: VIRGINIA HOSPITAL - MEDICAL SERVICE ASSOCIATION, INC.

Master Policy Number: BLUE CROSS - BLUE SHIELD

Effective Date:

Renewal Date:

EMPLOYEE BENEFITS

<u>Classification</u>	<u>Hospital Daily Benefit</u>	<u>Hospital Extras</u>	<u>Surgical Benefits</u>	_____	_____	_____	<u>Rate</u>
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Blue Cross - Blue Shield benefits of the Virginia Hospital-Medical Service Association is made available to the salaried and hourly employees on an employee pay all basis for himself and his family members.

DEPENDENT BENEFITS

<u>Classification</u>	<u>Hospital Daily Benefit</u>	<u>Hospital Extras</u>	<u>Surgical Benefits</u>	_____	_____	_____	<u>Rate</u>
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COMMENTS

SEABOARD MANUFACTURING CORPORATION

EMPLOYEE INFORMATION ON EMPLOYEE BENEFIT PLANS

LIFE INSURANCE

LABOR AGREEMENT

Not covered

EMPLOYEE HANDBOOK

No employee handbook

ACCIDENT AND SICKNESS

LABOR AGREEMENT

Not covered

EMPLOYEE HANDBOOK

No employee handbook

HOSPITALIZATION

LABOR AGREEMENT

Not covered

EMPLOYEE HANDBOOK

No employee handbook

CENSUS DATA SHEET FOR

OFFICE AND/OR PLANT PERSONNEL OF:

Seaboard Manufacturing Corporation

Name	Amount of Life Ins.		Sex	Marital Status	Tax Ex-emp	Date of Birth			Date Employed			Basic HOURLY Earnings (See Footnote)	Weekly A & S Indemnity
	Contrib.	Non-Contrib.				Mo.	Day	Year	Mo.	Day	Year		
J. O. A.	\$1,500					06	04	27	04	09	53	\$1.510	\$30
W. B.	1,500					07	22	27	08	23	48	1.480	30
E. B.	1,500					08	16	12	01	28	52	1.620	30
W. B. B.	1,500					07	12	03	10	19	53	85.00*	30
G. B.	2,000					08	28	09	08	14	53	1.510	--
R. J. B.	1,500					10	16	05	07	09	52	2.140	40
T. R. B.	2,000					04	04	23	03	26	54	81.25*	--
P. J. C.	1,500					03	15	27	10	22	52	1.570	30
B. B. B.	1,500					01	29	16	03	24	48	1.685	30
V. W. C.	1,500					05	28	31	07	28	54	2.160	40
A. L. D.	1,500					08	11	30	05	22	53	1.570	30
A. L. D.	2,000					06	07	26	08	28	47	105.00*	--
R. C. H.	2,000					10	10	25	11	22	50	97.85*	--
M. C. H.	1,500					08	13	30	07	28	49	1.340	25
H. B. H.	1,500					11	16	15	03	24	48	1.685	30
J. N. H.	1,500					10	19	20	09	28	53	2.095	40
G. F. I.	1,500					08	05	18	03	18	49	1.340	25
A. J.	1,500					08	10	24	02	02	54	1.570	30
T. N. K.	1,500					01	13	10	12	30	54	1.680	30
W. F. L.	1,500					02	02	16	02	12	53	1.540	30

LEGAL STATUS CODES: Married—M; Single—S; Widowed, Divorced, or Separated—W.
 Basic Earnings* Column, insert Hourly, Weekly, Semi-Monthly, Monthly, or Annually.
 earnings on 40-hour week. Estimate dates of birth or employment when necessary.

• WEEKLY

ANALYSIS
of the
GROUP INSURANCE PROGRAM
(FOR EMPLOYER - MEMBERS)
of

THE VIRGINIA MANUFACTURERS ASSOCIATION, INC.

**AS IT APPLIES TO
ALBEMARLE PAPER MANUFACTURING COMPANY**

AND ITS SUBSIDIARIES

GROUP LIFE INSURANCE

Carrier: TRAVELERS INSURANCE COMPANY

Master Policy Number: VIRGINIA MANUFACTURERS ASSOCIATION
GROUP LIFE PLAN FOR EMPLOYER - MEMBERS

Effective Date: NOT APPLICABLE

ASSOCIATION PLAN

Renewal Date: NOT APPLICABLE

THE SCHEDULE OF BENEFITS

<u>Classification</u>		<u>Amount of Insurance</u>
<u>Class</u>	<u>ANNUAL COMPENSATION (SALARIED EMPLOYEES)</u>	
C	\$ 5,000 but less than \$ 7,500	\$ 5,000
D	7,500 but less than 10,000	7,500
E	10,000 but less than 12,500	10,000
F	12,500 but less than 15,000	12,500
G	15,000 but less than 17,500	15,000
H	17,500 but less than 20,000	17,500
I	20,000 and over	20,000

Rate:

COMMENTS

Each employee is classified and the amount of insurance applicable to him determined on the date his insurance becomes effective. An employee's insurance will increase on the date his rate of annual compensation would qualify him for a higher class. Base pay, exclusive of bonus or overtime payments is used for classification purposes. No individual by reason of employment by two or more participating employer member companies may receive more than \$20,000 of insurance.

T.P.D. WAIVER OF PREMIUM

ALBEMARLE PAPER MANUFACTURING COMPANYV. M. A.

<u>INSURANCE YEAR</u>	<u>NUMBER OF PEOPLE</u>	<u>TOTAL AMOUNT OF LIFE INSURANCE</u>
1936	1	\$5,000
1935	2	10,000
1934	6	35,000
1933	3	15,000
1932	6	32,500
1931	3	17,500
1930	6	35,000
1929	8	45,000
1928	5	30,000
1927	4	27,500
1926	8	55,000
1925	12	72,500
1924	6	52,500
1923	7	55,000
1922	11	90,000
1921	3	35,000
1920	6	52,500
1919	3	35,000
1918	4	30,000
1917	4	40,000
1916	4	45,000
1915	8	55,000
1914	2	20,000
1913	4	42,500
1912	7	72,500
1911	5	57,500
1910	0	
1909	4	47,500
1908	5	57,500
1907	2	17,500
1906	4	22,500
1905	4	42,500
1904	4	55,000
1903	4	27,500
1902	5	56,000
1901	1	5,000
1900	1	7,500
1899	2	15,000
1898	2	27,500
1897	3	30,000
1896	1	12,500
1895	1	3,750
1894	1	2,500
1893	2	5,000
1892	1	6,250

\$1,508,500 @ \$10.344 per \$1,000 pe

EMPLOYER-EMPLOYEE COST DISTRIBUTION BY COMPANY

	<u>TOTAL</u> <u>ANNUAL COST</u>	<u>EMPLOYEES</u> <u>PAY</u>	<u>COMPANY</u> <u>PAYS</u>
<u>ALDENMARLE</u>			
Life Insurance - (\$818,400)	\$10,508.28	\$ 6,874.56	\$ 3,633.72
Accidental Death (-)	--	--	--
Accident and Sickness (\$12,265)	6,917.52	3,458.76	3,458.76
Hospitalization	BLUE CROSS - BLUE SHIELD		
	<u>\$17,425.80</u>	<u>\$10,333.32</u>	<u>\$ 7,092.48</u>
<u>HALIFAX</u>			
Life Insurance (\$2,515,500)	\$20,224.56	\$15,696.72	\$ 4,527.84
Accidental Death (-)	--	--	--
Accident and Sickness (\$21,760)	12,533.76	\$10,183.68	2,350.08
Hospitalization	Local Program supplemented by Blue Cross		
	<u>\$32,758.32</u>	<u>\$25,880.40</u>	<u>\$ 6,877.92</u>
<u>INTERSTATE</u>			
Life Insurance (\$345,000)	\$ 6,144.96	\$ 2,491.20	\$ 3,653.76
Accidental Death (-)	--	--	--
Accident and Sickness	--	--	--
Hospitalization (173 Emps)	2,729.52	--	2,729.52
	<u>\$ 8,874.48</u>	<u>\$ 2,491.20</u>	<u>\$ 6,383.28</u>
<u>RANDOLPH</u>			
Life Insurance (\$98,000)	\$ 926.64	--	\$ 926.64
Accidental Death (\$98,000)	94.08	--	94.08
Accident and Sickness (VMA)	1,920.00	--	1,920.00
Hospitalization 74 Emps	4,008.36	--	1,938.24
36 Deps	--	\$ 2,070.12	--
	<u>\$ 6,949.08</u>	<u>\$ 2,070.12</u>	<u>\$ 4,878.96</u>
<u>RAYMOND BAG</u>			
Life Insurance (\$797,800)	\$ 9,271.56	\$ 3,010.56	\$ 6,261.00
Accidental Death (-)	--	--	--
Accident and Sickness (\$8,085)	4,656.96	3,162.00	1,494.96
Hospitalization	OHIO BLUE CROSS		
	<u>\$13,928.52</u>	<u>\$ 6,172.56</u>	<u>\$ 7,755.96</u>
<u>RICHMOND CONTAINER</u>			
Life Insurance (\$181,000)	\$ 2,693.28	--	\$ 2,693.38
Accidental Death (\$181,000)	195.48	--	195.48
Accident and Sickness (\$1,425)	1,162.80	--	1,162.80
Hospitalization 57 Emps	11,088.96	--	11,088.96
50 Deps	--	--	--
	<u>\$15,140.52</u>	<u>--</u>	<u>\$15,140.52</u>
<u>SEABOARD</u>			
Life Insurance (\$152,000)	\$ 1,958.16	\$ 732.84	\$ 1,225.32
Accidental Death	--	--	--
Accident and Sickness	1,513.32	756.66	756.66
Hospitalization	BLUE CROSS - BLUE SHIELD		
	<u>\$ 3,471.48</u>	<u>\$ 1,489.50</u>	<u>\$ 1,981.98</u>
<u>VMA LIFE INSURANCE</u>			
	15,905.28	--	15,905.28
	<u>\$114,453.48</u>	<u>\$48,437.10</u>	<u>\$66,016.38</u>

GROUP LIFE INSURANCE PLANS

VOLUME AND COST ANALYSIS

<u>FIRM</u>	<u>NUMBER EMPLOYEES INSURED</u>	<u>VOLUME OF INSURANCE</u>	<u>RATE PER \$1,000</u>	<u>EMPLOYEE PAY \$1,000</u>	<u>COMPANY PAY \$1,000</u>	<u>TOTAL MONTHLY COST</u>	<u>TOTAL EMPLOYEE PAY</u>	<u>TOTAL COMPANY PAY</u>
ALBEMARLE	579	\$ 818,400	1.07	.70	.37	\$ 875.69	\$ 572.88	\$ 302.81
HALIFAX	664	2,515,500	.67	.52	.15	1,685.38	1,308.06	377.32
INTERSTATE	162	345,000	1.48	.60	.88	512.08	207.60	304.48
RANDOLPH	74	98,000	.778	-	.778	77.22	--	77.22
RAYMOND NON-CONTRIB.	351	463,300	.963	-	.963	446.16	-	446.16
RAYMOND CONTRIB.	287	334,500	.976	.75	.226	326.47	250.88	75.59
RAYMOND (TOTAL)	351(dup)	797,800	-	-	--	(772.63)	(250.88)	(521.75)
RICHMOND CONTAINER	57	181,000	1.24	-	1.24	224.44	-	224.44
SEABOARD	98	152,500	1.07	.466	.604	163.18	61.07	102.11
TOTALS:	1,985	\$4,907,400				\$4,210.62	\$2,400.49	\$1,910.13
				AVERAGE MONTHLY COST PER \$1,000	.874			
				EMPLOYEES PAY	.45			
				COMPANY PAYS	.424			

IN ADDITION

Albemarle Paper Manufacturing Company carries Group Life Insurance in the amount of \$1,508,500 at a rate of \$10.344 per M\$/annum on salaried employees of the parent company and certain subsidiaries with benefits ranging from \$5,000 to \$20,000 based on classification for a total annual cost (1959 policy year) of \$15,905.28.

GROUP ACCIDENTAL DEATH & DISMEMBERMENT INSURANCE PLANS

VOLUME & COST ANALYSIS

<u>FIRM</u>	<u>NUMBER EMPLOYEES INSURED</u>	<u>VOLUME OF INSURANCE</u>	<u>RATE PER \$1,000</u>	<u>EMPLOYEE PAY PER \$1,000</u>	<u>COMPANY PAY PER \$1,000</u>	<u>TOTAL MONTHLY COST</u>	<u>TOTAL EMPLOYEE PAY</u>	<u>TOTAL COMPANY PAY</u>
ALBEMARLE	-	-	-	-	-	-	-	-
HALIFAX	-	-	-	-	-	-	-	-
INTERSTATE	-	-	-	-	-	-	-	-
RANDOLPH	74	\$ 98,000	.08	-	.08	7.84	-	7.84
RAYMOND BAG	-	-	-	-	-	-	-	-
RICHMOND CONTAINER	57	181,000	.09	-	.09	16.29	-	16.29
SEABOARD	-	-	-	-	-	-	-	-
TOTALS:	131	\$279,000				24.13		24.13

GROUP ACCIDENT AND SICKNESS WEEKLY INCOME BENEFITS

VOLUME AND COST ANALYSIS

<u>FIRM</u>	<u>NUMBER EMPLOYEES INSURED</u>	<u>VOLUME OF INSURANCE</u>	<u>RATE PER \$10</u>	<u>EMPLOYEES PAY PER \$10</u>	<u>COMPANY PAYS PER \$10</u>	<u>TOTAL MONTHLY COST</u>	<u>TOTAL EMPLOYEE PAY</u>	<u>TOTAL COMPANY PAY</u>
ALBEMARLE	371	\$12,265	.407	.203	.204	\$ 576.46	\$ 288.23	\$288.23
HALIFAX	551	21,760	.48	.39	.09	1,044.48	848.64	195.84
RANDOLPH (VMA)	74	1,920	.833	-	.833	160.00	-	160.00
RAYMOND	231	8,085	.48	.32	.16	388.08	263.50	124.58
RICHMOND CONTAINER	40	1,425	.68	-	.68	96.90	-	96.90
SEABOARD	91	2,680	.407	.203	.204	126.11	63.06	63.05
	1358	\$48,135				\$2,392.03	\$1,463.43	\$928.60

GROUP HOSPITALIZATION INSURANCE PLANS

VOLUME AND COST ANALYSIS

<u>FIRM</u>		<u>NUMBER EMPLOYEES COVERED</u>	<u>NO. OF DEP. UNITS COVERED</u>	<u>RATE PER EMP.</u>	<u>RATE PER DEP. UNIT</u>	<u>TOTAL EMP. & DEP.</u>	<u>EMP. PAYS</u>	<u>COMPANY PAYS PER EMP.</u>	<u>TOTAL MONTHLY COST</u>	<u>TOTAL EMPLOYEE PAY</u>	<u>TOTAL COMPANY PAY</u>
<u>ALBEMARLE</u>											
<u>HALIFAX</u>											
<u>INTERSTATE</u>	Active	168	--	1,273	--	--	--	1,273	\$ 227.46	--	\$ 227.46
	Ret.	5	--	2,72	--	--	--	2,72	--	--	--
<u>RANDOLPH</u>		74	36 off.	2,61	5.528	8,138	5,528	2,61	--	--	--
			fac.	2,064	4,424	6,489	4,424	2,064	\$ 334.03	\$172.51	\$ 161.52
<u>RAYMOND</u>											
<u>RICHMOND CONTAINER</u>		57	50	4.94	12.85	17,79	--	4.94* 17.79**	\$ 924.08	--	\$ 924.08
<u>SEABOARD</u>											
		304	86						\$1,485.57	\$172.51	\$1,313.06

* Employee without dependents

** Employee with dependents

SUMMARY OF COSTS

	<u>TOTAL ANNUAL COST</u>	<u>EMPLOYEES PAY</u>	<u>COMPANY PAYS</u>
ALBEMA	\$ 17,425.80	\$10,333.32	\$ 7,092.48
HALIFAX	32,758.32	25,880.40	6,877.92
INTERSTATE	8,874.48	2,491.20	6,383.28
RANDOLPH	6,949.08	2,070.12	4,878.96
RAYMOND	13,928.52	6,172.56	7,755.96
RICHMOND CONTAINER	15,140.52	-	15,140.52
SEABOARD	<u>3,471.48</u>	<u>1,489.50</u>	<u>1,981.98</u>
	\$ 98,548.20	\$48,437.10	\$50,111.10
V.M.A. LIFE INSURANCE	<u>15,905.28</u>	-	<u>15,905.28</u>
GRAND TOTAL:	\$114,453.48	\$48,437.10	\$66,016.38

CHAPTER V

ECONOMIES TO BE OBTAINED BY CONSOLIDATION

Upon completion of collecting the foregoing data the next question to be decided was whether the Company desired to change any present coverages or retain the status quo of these present benefit levels.

The Company was fully aware of savings which could be realized through standardization of the various benefit levels throughout the whole system, but wished to retain all benefit levels as of record. It can be readily understood why this position was taken. As previous information shows, some of the subsidiaries are unionized while others are not. Generally speaking, the benefit level employee costs are less while benefit levels are higher in the non-union locations. To preserve industrial peace at these locations any standardization action would have to allow for leaving those benefit employee costs at the present level. Since non-unionized plants' benefit employee costs are lower, standardization action would be an outright gift of a financially unsound amount to the unionized plants. This would result from a substantial increase in most benefit levels with no appreciable rise in employee cost at these locations.

In those plants which are unionized the management of the company wished to reserve to itself the use of

employee plan costs as a tool in collective bargaining.

The absence of a standardized benefit plan does not, however, preclude real savings in other areas effected through consolidation.

By consolidation, all commercially insured plans within the system would be administered by one insurance carrier. This one change effects substantial savings. Due to four principal carriers of the various insurance programs throughout the seven operations, administration is a costly operation since it can be established that each carrier is retaining approximately twenty percent of paid premiums. Table I illustrates this expense rate for major carriers. As rate of billed premiums increase, expense rate percentage of billed premiums decrease. Under a single carrier, an expense rate of approximately ten percent can be expected over a ten year period.

TABLE I
ILLUSTRATION OF SAVINGS EFFECTED BY COMBINING COMPANIES
FOR EXPERIENCE RATING PURPOSES

<u>Billed Premium</u>	<u>Expense Rate</u>	
	<u>Dollar Amount</u>	<u>% of Billed Premium</u>
\$ 10,000	\$ 2,400	24.0
20,000	4,000	20.0
40,000	6,800	17.0
50,000	7,500	15.0
70,000	9,100	13.0
80,000	10,000	12.5
100,000	11,000	11.0
120,000	12,800	10.7

Source: "Cost Analysis of Group Insurance Program of Albe-
marle Paper Manufacturing Company and Subsidiary
Companies". Ebasco Services, Incorporated, New York,
1959, p. 8.

Some of the reasons for economy to size are:

- 1) Commissions are paid on a graded scale (see Table II).
- 2) The administrative cost of establishing accounting and claim procedures for the carrier does not increase proportionately as group size increases.
- 3) A carrier's overhead and acquisition costs are less per unit as group size increases.
- 4) The credibility factor is more favorable for a larger group. By this it is meant that a plan with 2,000 lives is more apt to experience the normal expected mortality or morbidity than a plan with 200 lives. Therefore on small groups, such as we now have, the individual carriers will protect themselves against extreme fluctuations in mortality and retain a larger percentage of premium.

TABLE II

REPRESENTATIVE SCHEDULE OF COMMISSIONS
PAYABLE TO AGENTS FOR GROUP INSURANCE

<u>Part of Premium</u> <u>(Annual)</u>	<u>First</u> <u>Year</u>	<u>Renewal for</u> <u>Nine Years</u>
First \$1,000	20.00%	5.00%
Next 4,000	20.00%	3.00%
Next 5,000	15.00%	1.50%
Next 10,000	12.50%	1.50%
Next 10,000	10.00%	1.50%
Next 20,000	5.00%	1.50%
Next 50,000	2.50%	1.00%
Next 50,000	1.00%	.50%

Source: New York Insurance Commission, Standard Group Insurance Commission Scale.

This is a graded commission schedule. It is not necessarily the schedule which will apply in this consolidation.

The net cost of group insurance consists simply of claims paid and the administrative expense of paying these claims. Regardless of which carrier is on the risk, the same benefit levels will develop the same claim experience and the variable between the carriers is their expense factor or their retentions required as underwriters of the risk. Companies must charge their manual rates minus advanced discounts for volume previously filed with the Insurance Commissions of the states in which they transact business. Without this requirement, insurance companies would constantly be raiding each other's business by quoting unrealistic rates to the ultimate detriment of the buying public. Retention formulas must be worked out to arrive at net costs as opposed to actual premiums charged. A retention formula consists of the following items:

- 1) An assumption of a loss ratio by line of coverage. The usual loss ratio assumption for this size case would be sixty percent for life insurance and seventy percent on casualty lines.
- 2) An assumption that the ordinary life department of a group insurance carrier will charge \$65 per \$1,000 on a life insurance for conversions. (The conversion privilege is a legal requirement in all group life insurance policies. It guarantees a certificate holder under a master contract, in the event of his termination, the right to make application within 31 days for an amount of ordinary life insurance in any amount up to the maximum which he had under his group certificate. The ordinary life must be issued at a standard rate for his attained age without evidence of insurability. If the person is not insurable at this time, the conversion privilege is a decided advantage in that cost would be at

the standard rate. On the other hand, if the person is insurable, the company should encourage that person not to exercise the conversion privilege, but to buy a regular policy which would be at the standard rate also. The Company in this manner would save the \$65 conversion charge.)

- 3) The insurance carrier will pay claims; the policy holder will handle its internal group insurance program administration.

With these assumptions, the carrier must determine the following to arrive at its retention formula:

- 1) Acquisition cost - commissions to be paid.
- 2) Expense of handling claims.
- 3) State premium taxes.
- 4) Their administrative expense and profit.

Retention cannot, however, be guaranteed because it is impossible to forecast what taxes and labor costs will be ten years hence. Barring unforeseen circumstances, these estimates can be taken as reliable guides of future net costs.

CHAPTER VI

UNDERWRITING CONSIDERATIONS FOR CONSOLIDATION

After deciding that there would be no change in the present benefit levels of any subsidiary, specifications for quotations had to be drawn up and forwarded to group insurance carriers. These specifications were based on common assumptions of standard claim levels which should be incurred and the expenses to be charged by the carrier for handling them. At the same time, it was necessary to determine some basis of qualification in selecting the carriers to which invitations to bid would be extended. Even though it was desirable to obtain enough bids for competitive price reasons, the brokers pointed out that the task of analysing and compiling submitted data from too many carriers would prove burdensome. They also stated that numerous bids would be unnecessary if a few bids were obtained from first rate companies.

Three criteria were used in selecting those carriers to whom invitations to quote would be extended. First, those group carriers who had any coverage on any of the firms considered in the consolidation. In this group were Aetna Life Insurance Company, Travelers Insurance Company and New England Mutual Life Insurance Company. Liberty Mutual Insurance Company which carries some of the Companies'

accident and sickness coverage does not write group life coverage, so it was excluded. Second, The Life Insurance Company of Virginia was to be extended a courtesy invitation to bid since it was a local group insurer with national standing. Third, it was felt that an invitation should be extended to Equitable Life Assurance Society of the United States, since it has a mortgage loan outstanding with the Company, and it is equipped to write such consolidated group insurance programs.

The next step was to submit to each qualified carrier, standardized specifications and the census data on employees of each subsidiary. The carriers were asked to quote showing both gross and net rates for each subsidiary as well as a gross and net rate on a single rate basis for all locations combined. This complete information was necessary to allow the brokers to determine that all carriers were pricing identical coverage.¹ Retention formulas were to be illustrated over a ten year period stating dollar amounts for premium charges, claim levels, dividend illustrations, retention charges by the carrier, and net cost to the firm. It is almost mandatory that the carriers prepare these illustrations in dollar amounts as well as percentages, because percentages can be misleading

1. For complete specifications see Exhibit II, Bid of Selected Carrier.

when comparisons between gross and net rates are made. Data was furnished to the carriers, with the request that proposals be received one month from date of submission to allow the underwriters adequate time for preparation of their proposals.

During the interim between submission of specifications and return of proposals, two of the selected carriers declined the invitation to quote. One declined because it was not licensed to write insurance in one of the states in which a subsidiary was located. The second declination was received from a major insurance company which had only recently entered the group insurance field. Its underwriting and service facilities to date were inadequate to compete favorably with long established carriers in this field of insurance.

Bids were returned by the three remaining carriers. Analysis of these bids revealed that the three carriers, using the same data, varied their proposals on volume of insurance, number of persons to be covered, and gross and net costs for the initial contract year. Since these companies were requested to assume standard claim levels of 60% for life insurance and 70% for casualty lines, claim payment levels also varied due to varied premium levels.

The differences in proposals may be explained as follows:

1. Insurance companies operating in the state of New York are required to file their initial rates with the New York State Insurance Commission, and regardless of the amount of insurance at risk, they are required to offer gross rates filed and may then apply filed discount factors for volume. Therefore, these "going-in" rates for each company varied, but less than 5%.
2. Companies having determined their total premium volume, then applied established loss ratios for life and casualty lines base upon initial premium charges and levels of claim payments varied accordingly.

While "going-in" rates and claim levels differ by approximately 5%, it is significant that each of the three companies working on a five year net cost average would retain dollar amounts varying less than 1%. The significance lies in the fact that even though one company has a favorable low billed premium, its retention charge may not be the most favorable. With virtually the same retentions, it was necessary to make comparisons between each company's retention in relation to the respective maximum claim level before an upward adjustment in retention need be made.

Exhibit I illustrates competitive retention formulae submitted by the carriers for three guide points in a group insurance program.

EXHIBIT ICOMPARATIVE RETENTION FORMULAS OF SUBMITTED BIDS

	<u>BILLED PREMIUM</u>	<u>INCURRED CLAIMS</u>	<u>RETENTION CHARGE</u>	<u>REFUND OF PREMIUM</u>	<u>NET COST</u>
Carrier A 1st Yr.	\$121,709	\$91,330	\$14,435	\$15,944	\$105,765
Carrier B 1st Yr.	117,600	92,880	14,806	9,914	107,686
Carrier C 1st Yr.	113,667	80,976	12,663	20,028	93,639
Carrier A 5 Yr. Av.	109,063	81,285	11,332	16,446	92,617
Carrier B 5 Yr. Av.	104,800	78,362	11,341	15,097	89,703
Carrier C 5 Yr. Av.	113,667	80,976	11,287	21,404	92,263
Carrier A 10 Yr. Av.	106,568	79,751	10,934	15,883	90,685
Carrier B 10 Yr. Av.	103,200	76,758	9,321	16,785	86,078
Carrier C 10 Yr. Av.	113,667	80,976	11,111	21,580	92,087

The first year establishes "going-in" rates and retention costs needed to compensate for expenditures the company will incur in placing the case on its books. The five year average is, however, the most important check point, because by then sufficient reserves should be established and sufficient claim exposure developed. The five year average also represents a cost prediction which would not be as unrealistic as a ten year projection. The ten year average is shown merely to give the carrier and the insured a goal toward which to work, allowing for adjustments of those factors which the economy dictates.

Since all monies other than retention belong to the policyholder, and since these retention levels are based upon claim levels to be paid, investigation was made of each carrier's proposed amount of claim payment per dollar

of retention. There was no significant difference in this area.

After detailed cost analyses, making a decision based solely upon underwriting was only a matter of a toss of a coin.

Since Equitable Life Assurance Society had been very cooperative in arranging the aforementioned mortgage loan for the Company, the feeling of the Company was it would best enhance its long term financing to place the group insurance program with this carrier.

Incorporated in Exhibit II are the specifications issued to the carriers and the completed pricing data furnished by the successful underwriter for the consolidated contract together with its retention formula for the ten year period.

EXHIBIT II

Albemarle Paper Manufacturing CompanySpecifications For Bidding On Group Insurance ProgrGROUP LIFE INSURANCE SCHEDULE #1SEPARATE COMPANY BILLINGGROSS NETALBEMARLE PAPER MANUFACTURING COMPANY (623 lives)

Gross:	Volume	\$869,800	X	\$1.12	Rate Per M =	\$974
Discount:	%	---				
Net:	Volume	\$869,800	X	1.12	Rate Per \$1,000	\$974

HALIFAX PAPER COMPANY, INC. (811 lives)

Gross:	Volume	\$2,732,000	X	\$.60	Rate Per M =	\$1,639
Discount:	%	---				
Net:	Volume	2,732,000	X	.60	Rate Per M =	\$1,639

INTERSTATE BAG COMPANY (165 lives)

Gross:	Volume	\$343,000	X	\$1.26	Rate Per M =	\$432
Discount:	%	---				
Net:	Volume	343,000	X	1.26	Rate Per M =	\$432

RANDOLPH PAPER BOX COMPANY (66 lives)

Gross:	Volume	\$85,500	X	\$.54	Rate Per M =	\$46
Discount:	%	---				
Net:	Volume	85,500	X	.54	Rate Per M =	\$46

RAYMOND BAG COMPANY (346 lives)

Gross:	Volume	\$784,600	X	\$1.12	Rate Per M =	\$879
Discount:	%	---				
Net:	Volume	784,600	X	1.12	Rate Per M =	\$879

(continued on following page)

EXHIBIT II (continued)

GROUP LIFE PAGE #2

						<u>GROSS</u>	<u>NET</u>
<u>RICHMOND CONTAINER CORPORATION (57 lives)</u>							
Gross:	Volume	\$179,000	X	\$.67	Rate Per M =	\$120	
Discount:	%	---					
Net:	Volume	\$179,000	X	.67	Rate Per M =		\$120
<u>SEABOARD MANUFACTURING CORPORATION (57 lives)</u>							
Gross:	Volume	\$89,500	X	\$.69	Rate Per M =	\$62	
Discount:	%	---					
Net:	Volume	\$89,500	X	.69	Rate Per M =		\$62
<u>VIRGINIA MANUFACTURING ASSOCIATION PLAN FOR SYSTEM* (295 lives)</u>							
Gross:	Volume	\$1,508,500	X	\$.90	Rate Per M =	\$1,358	
Discount:	%	---					
Net:	Volume	\$1,508,500	X	.90	Rate Per M =		\$1,358
<u>ONE RATE PER \$1,000 FOR SYSTEM</u>							
(Total number of lives - 2,420)							
Gross:	Volume	\$6,591,900	X	\$.84	Rate Per M =	\$5,537	
Discount:	%	---					
Net:	Volume	\$6,591,900	X	.84	Rate Per M =		\$5,537

*The rate quoted for the Virginia Manufacturers Association Plan has been shown for illustrative purposes only and should not be considered an offer.

(continued on following page)

EXHIBIT II (continued)

GROUP ACCIDENTAL DEATH SCHEDULE PAGESEPARATE COMPANY BILLING

						<u>GROSS</u>	<u>NET</u>
<u>RANDOLPH PAPER BOX CORPORATION (67 lives)</u>							
Gross:	Volume	\$86,500	X	\$.08	Rate Per M =	\$7	
Discount:	10%						
Net:	Volume	\$86,500	X	.072	Rate Per M =		\$6
<u>RICHMOND CONTAINER CORPORATION (57 lives)</u>							
Gross:	Volume	\$179,000	X	\$.09	Rate Per M =	\$16	
Discount:	10%						
Net:	Volume	\$179,000	X	.081	Rate Per M =		\$14
<u>ONE RATE PER \$1,000 FOR THESE FIRMS</u>							
(124 lives)							
Gross:	Volume	\$265,500	X	\$.087	Rate Per M =	\$23	
Discount:	10%						
Net:	Volume	\$265,500	X	.078	Rate Per M =		\$21

(continued on following page)

EXHIBIT II (continued)

GROUP ACCIDENT AND SICKNESS INSURANCESEPARATE COMPANY BILLING

						<u>GROSS</u>	<u>NET</u>
<u>ALBEMARLE PAPER MANUFACTURING COMPANY (388 lives)</u>							
Gross:	Volume	\$12,790	X	\$.58	Rate Per \$10 =	\$742	
Discount:	10%						
Net:	Volume	\$12,790	X	.52	Rate Per \$10 =		\$655
<u>HALIFAX PAPER MANUFACTURING COMPANY (703 lives)</u>							
Gross:	Volume	\$26,580	X	\$.56	Rate Per \$10 =	\$1,488	
Discount:	10%						
Net:	Volume	\$26,580	X	.50	Rate Per \$10 =		\$1,329
<u>INTERSTATE BAG COMPANY (N.Y. D.B.L.)</u>							
<u>RANDOLPH PAPER BOX CORPORATION (66 lives)</u>							
Gross:	Volume	\$2,190	X	\$.76	Rate Per \$10 =	\$166	
Discount:	10%						
Net:	Volume	\$2,190	X	.68	Rate Per \$10 =		\$149
<u>RAYMOND BAG COMPANY (251 lives)</u>							
Gross:	Volume	\$8,645	X	\$.64	Rate Per \$10 =	\$553	
Discount:	10%						
Net:	Volume	\$8,645	X	.58	Rate Per \$10 =		\$501

(continued on following page)

EXHIBIT II (continued)

ACCIDENT AND SICKNESS - PAGE #2

						<u>GROSS</u>	<u>NET</u>
<u>RICHMOND CONTAINER CORPORATION (41 lives)</u>							
Gross:	Volume	\$1,465	X	\$.74	Rate Per \$10 =	\$108	
Discount:	10%						
Net:	Volume	1,465	X	.67	Rate Per \$10 =		\$98
<u>SEABOARD BAG CORPORATION (50 lives)</u>							
Gross:	Volume	\$1,565	X	\$.58	Rate Per \$10 =	\$91	
Discount:	10%						
Net:	Volume	1,565	X	.52	Rate Per \$10 =		\$81
<u>ONE RATE PER \$10 FOR SYSTEM</u>							
(1,499 lives)							
Gross:	Volume	\$53,235	X	\$.61	Rate Per \$10 =	\$3,247	
Discount:	10%						
Net:	Volume	\$53,235	X	.55	Rate Per \$10 =		\$2,928

(continued on following page)

EXHIBIT II (continued)

GROUP HOSPITALIZATION SCHEDULE PAGESUBMIT BENEFIT PROPOSAL ON EACH FIRM NOW COVEREDALBEMARLE

Nil

HALIFAX

Nil

INTERSTATE BAG COMPANY

Gross: Number of active emp. 182 X \$1.368 Rate Per Employee = \$249

Number of retired emp. 2 X 1.368 *Rate Per Employee = 3

Discount: 10%

Net: Number of active emp. 182 X \$1.231 Rate Per Employee = \$224

Number of retired emp. 2 X 1.231 *Rate Per Employee = 2

RANDOLPH PAPER BOX CORPORATION

Gross: Number of emp. (\$11) 12 X \$2.811 Rate Per Employee = \$ 34

Number of emp. (\$8) 54 X 2.381 Rate Per Employee = 129

Number of dep. units (\$11) 11 X 6.143 Rate Per Dep. Units = 68

Number of dep. units (\$8) 39 X 5.173 Rate Per Dep. Units = 202

Discount: 10% for employees - 9% for dependents

Net: Number of emp. (\$11) 12 X \$2.530 Rate Per Employee = 30

Number of emp. (\$8) 54 X 2.143 Rate Per Employee = 116

Number of dep. units (\$11) 11 X 5.590 Rate Per Dep. Units = 61

Number of dep. units (\$8) 39 X 4.707 Rate Per Dep. Units = 184

RAYMOND BAG COMPANY

Nil

*Active employee rates will apply for retired employees until such time as the number of retired employees exceeds 5% of the total number of the group. At that time separate rates will be computed for retired employees.

(continued on following page)

EXHIBIT II (continued)

PAGE #2RICHMOND CONTAINER CORPORATION

Gross: Number of Emps.	57 X \$4.792	Rate Per Emp. =	\$273
Number of Dep. Units	51 X 9.521	Rate Per Unit =	486
Discount: 10%			
Net: Number of Emps.	57 X \$4.31	Rate Per Emp. =	\$246
Number of Dep. Units	51 X 8.57	Rate Per Unit =	437

SEABOARD MANUFACTURING CORPORATION

Nil

(continued on following page)

EXHIBIT II (continued)

QUESTIONNAIRE

1. Full Time Group Insurance Staff - Domiciled in
Richmond, Virginia 4
- | | | |
|---|-----------|---|
| State of North Carolina (Town nearest Roanoke Rapids) | Raleigh | 6 |
| State of Ohio (Town nearest Middletown) | Cleveland | 9 |
| State of New York (Town nearest Walden) | Albany | 1 |
| | Syracuse | 4 |
2. CLAIM OFFICES - Nearest Group Claim Office TOWN
- | | |
|-------------------------|-----------------|
| Richmond, Virginia | Richmond, Va. |
| Halifax, North Carolina | Richmond, Va. |
| Middletown, Ohio | Cleveland, Ohio |
| Walden, New York | Syracuse, N. Y. |
3. How many group field men could you furnish for a period of one week or less to convert existing insurance records to your company records (No solicitation)
- | | |
|--|---|
| Richmond, Virginia (3 firm locations) Seaboard is at Albemarle | 6 |
| Roanoke Rapids, N. C. (1 firm location) | 6 |
| Middletown, Ohio (1 firm location) | 9 |
| Walden, New York (1 firm location) | 4 |
4. Please attach copy if enrollment card to be used.
- We have attached a copy of the enrollment card to be used.
5. Would you handle claims on decentralized or centralized basis according to final wishes of the assured.
- Yes.
6. Would you bill on decentralized or centralized basis according to final wishes of the assured.
- Yes.

(continued on following page)

EXHIBIT II (continued)

RETENTION EXHIBIT

EQUITABLE

PAID PREMIUM

<u>YEAR</u>	<u>BILLED PREMIUM</u>	<u>INCURRED CLAIM</u>	<u>RETENTION CHARGE</u>	<u>REFUND OF PREMIUM</u>	<u>NET COST</u>
1st year	\$117,600.00	\$92,800.48	\$14,805.84	\$ 9,913.68	\$107,686.32
2nd year	101,600.00	73,466.96	12,435.84	15,697.20	85,902.80
3rd year	101,600.00	75,153.52	11,023.60	15,422.88	86,177.12
4th year	101,600.00	75,153.52	9,591.04	16,855.44	84,744.56
5th year	101,600.00	75,153.52	8,849.36	17,597.12	84,002.88
5 year total	524,000.00	391,808.00	56,705.68	75,486.32	448,513.68
5 year average	104,800.00	78,361.60	11,341.14	15,097.26	89,702.74
10 year total	1,032,000.00	767,575.60	93,207.84	167,853.36	860,783.44
10 year average	103,200.00	76,757.56	9,320.78	16,785.34	86,078.34

CHAPTER VII

RECAPITULATION OF COST INFORMATION

This chapter is a statistical presentation showing the following:

EXHIBIT I-A. Annualized employer - employee cost.

and

EXHIBIT I-B. Distribution by plant and coverage on both a unit rate basis and a composite rate basis. *

EXHIBIT II. Comparative cost of the five year net cost average of the consolidated plan and the cost of the program for the year prior to consolidation.

* Differences in total cost figures are a result of rounding off rate figures.

EXHIBIT I-A

EMPLOYER-EMPLOYEE COST DISTRIBUTION BY COMPANY ANNUALIZED

	<u>VOLUME OF INSURANCE</u>	<u>TOTAL COST</u>	<u>EMPLOYEES PAY</u>	<u>COMPAN PAYS</u>
<u>ALBENAR</u>				
Life Insurance	\$ 869,800	\$11,690.16	\$ 7,306.32	\$ 4,383.84
Accidental Death (-)	--	--	--	--
Accident and Sickness Hospitalization	12,790	7,980.96	3,115.68	4,865.28
	--	--	--	--
		<u>\$19,671.12</u>	<u>\$10,422.00</u>	<u>\$ 9,249.12</u>
<u>HALIFAX</u>				
Life Insurance	2,732,000	\$19,670.40	\$17,047.68	\$ 2,622.72
Accidental Death (-)	--	--	--	--
Accident and Sickness Hospitalization	26,580	15,948.00	12,439.44	3,508.56
	--	--	--	--
		<u>\$35,618.40</u>	<u>\$29,487.12</u>	<u>\$ 6,131.28</u>
<u>INTERSTATE</u>				
Life Insurance	343,000	\$ 5,186.16	\$ 2,469.60	\$ 2,716.56
Accidental Death (-)	--	--	--	--
Accident and Sickness (N.Y. DEL)	--	--	--	--
Hospitalization	184 Emps.	2,715.60	--	2,715.60
		<u>\$ 7,901.76</u>	<u>\$ 2,469.60</u>	<u>\$ 5,432.16</u>
<u>RANDO</u>				
Life Insurance	86,500	\$ 554.04	--	\$ 554.04
Accidental Death	86,500	74.76	--	74.76
Accident and Sickness (1)	2,190	1,787.04	--	1,787.04
Hospitalization	44 Emps. 50 Dep.	4,847.88	2,940.72	1,907.16
		<u>\$ 7,263.72</u>	<u>\$ 2,940.72</u>	<u>\$ 4,323.00</u>
<u>RAYMOND BAG</u>				
Life Insurance	784,600	\$10,545.00	\$ 3,006.00	\$ 7,539.00
Accidental Death	--	--	--	--
Accident and Sickness	8,645	6,016.92	3,319.68	2,697.24
Hospitalization	--	--	--	--
		<u>\$16,561.92</u>	<u>\$ 6,325.68</u>	<u>\$10,236.24</u>
<u>RICEMOND CONTAIN</u>				
Life Insurance	179,000	\$ 1,439.16	--	\$ 1,439.16
Accidental Death	179,000	174.00	--	174.00
Accident and Sickness	1,465	1,177.92	--	1,177.92
Hospitalization	57 Emps. 51 Dep.	8,192.88	--	8,192.88
		<u>\$10,983.96</u>		<u>\$10,983.96</u>
<u>SEABOARD</u>				
Life Insurance	89,500	\$ 741.12	\$ 479.16	\$ 261.96
Accidental Death	--	--	--	--
Accident and Sickness	1,565	976.56	381.24	595.32
Hospitalization	--	--	--	--
		<u>\$ 1,717.68</u>	<u>\$ 860.40</u>	<u>\$ 857.28</u>
V.M.A. LIFE INSURANCE	1,508,500	\$16,291.80	--	\$16,291.80
		<u>\$116,010.36</u>	<u>\$52,505.52</u>	<u>\$63,504.84</u>

CARRIER: EQUITABLE - UNIT RATE BASIS

(continued on following page)

EXHIBIT I-A (continued)

GROUP LIFE INSURANCE COST EXHIBIT

THE EQUITABLE LIFE ASSURANCE SOCIETY

Rates shown are net and represents discount of 0% over carriers gross rates

<u>FIRM</u>	<u>NUMBER OF EMPS. COVERED</u>	<u>VOLUME OF INSURANCE</u>	<u>RATE PER \$1,000</u>	<u>EMPLOYEES PAY PER \$1,000</u>	<u>COMPANY PAY PER \$1,000</u>	<u>TOTAL MONTHLY COST</u>	<u>TOTAL EMPLOYEE PAY</u>	<u>TOTAL COMPANY PAY</u>
ALBEMARLE	623	\$ 869,800	\$1.120	.700	.420	\$ 974.18	\$ 608.86	\$ 365.32
HALIFAX	811	2,732,000	.600	.520	.080	1,639.20	1,420.64	218.56
INTERSTATE	165	343,000	1.260	.600	.660	432.18	205.80	226.38
RANDOLPH	66	85,500	.540	--	.540	46.17	--	46.17
RAYMOND (non-contrib.)	346	450,600	1.120	--	1.120	504.67	--	504.67
RAYMOND (contrib.)	-	334,000	1.120	.750	.370	374.08	250.50	123.58
RAYMOND TOTAL	346	784,600	1.120	--	--	878.75	250.50	628.25
RICHMOND CONTAINER	57	179,000	.670	--	.670	119.93	--	119.93
SEABOARD	57	89,500	.690	.446	.244	61.76	39.92	21.83
VA. MANUFACTURERS ASSN.	185	1,508,500	.900	--	.900	1,357.65	--	1,357.65
TOTALS:	2,310	\$6,591,900				\$5,537.17		\$3,011.45

EQUITABLE - UNIT RATE BASIS

(continued on following page)

EXHIBIT 1-A (continued)

GROUP ACCIDENTAL DEATH - COST EXHIBIT

THE EQUITABLE LIFE ASSURANCE SOCIETY

Rates shown are net and represents discount of 10% over carriers gross rates

<u>FIRM</u>	<u>NUMBER OF EMPS. COVERED</u>	<u>VOLUME OF INSURANCE</u>	<u>RATE PER \$1,000</u>	<u>EMPLOYEES PAY PER \$1,000</u>	<u>COMPANY PAY PER \$1,000</u>	<u>TOTAL MONTHLY COST</u>	<u>TOTAL EMPLOYEE PAY</u>	<u>TOTAL COMPANY PAY</u>
ALBEMARLE	NIL							
HALIFAX	NIL							
INTERSTATE	NIL							
RANDOLPH	67	\$ 86,500	\$.072	-	\$.072	\$6.23	-	\$6.23
RAYMOND	NIL							
RICHMOND CONTAINER	57	179,000	.081	-	.081	14.50	-	14.50
SEABOARD	NIL							
VA. MANUFACTURERS ASSN.	NIL							
TOTALS:	124	\$265,000				\$20.73	-	\$20.73

EQUITABLE - UNIT RATE BASIS

(continued on following page)

EXHIBIT I-A (continued)

GROUP ACCIDENT & SICKNESS COST EXHIBIT

THE EQUITABLE LIFE ASSURANCE SOCIETY

Rates shown are net and
represents discount of 10%
over carriers gross rates

<u>FIRM</u>	<u>NUMBER OF EMPS. COVERED</u>	<u>VOLUME OF INSURANCE</u>	<u>RATE PER \$10</u>	<u>EMPLOYEES PAY PER \$10</u>	<u>COMPANY PAY PER \$10</u>	<u>TOTAL MONTHLY COST</u>	<u>TOTAL EMPLOYEE PAY</u>	<u>TOTAL COMPANY PAY</u>
ALBEMARLE	388	\$12,790	\$.52	\$.203	\$.317	\$655.08	\$ 259.64	\$405.44
HALIFAX	703	26,580	.50	.390	.110	1,329.00	1,036.62	292.38
INTERSTATE	NIL							
RANDOLPH	66	2,190	.68	--	.680	148.92	--	648.92
RAYMOND	251	8,645	.58	.320	.260	501.41	276.64	224.77
RICHMOND CONTAINER	41	1,465	.67	--	.670	98.16	--	98.16
SEABOARD	50	1,565	.52	.203	.317	81.38	31.77	49.61
TOTALS:	1,499	\$53,235				\$2,823.95	\$1,604.67	\$1,219.28

EQUITABLE - UNIT RATE BASIS

(continued on following page)

EXHIBIT I-A (continued)

GROUP HOSPITALIZATION COST EXHIBIT
THE EQUITABLE LIFE ASSURANCE SOCIETY

Rates shown are net and represents discount of 10% over carriers gross rates

<u>FIRM</u>		<u>NUMBER OF EMP'S. COVERED</u>	<u>NUMBER OF DEP. UNITS COVERED</u>	<u>RATE PER EMP.</u>	<u>RATE PER DEP. UNIT</u>	<u>TOTAL EMP. & DEP.</u>	<u>EMP PAY</u>	<u>COMPANY PAY PER EMP.</u>	<u>TOTAL MONTHLY COST</u>	<u>TOTAL EMPLOYEE PAY</u>	<u>TOTAL COMPANY PAY</u>
ALBEMARLE	BLUE CROSS - BLUE SHIELD OF VIRGINIA										
HALIFAX	HOSPITAL AND MEDICAL CARE - ROANOKE RAPIDS HOSPITAL CO. HALIFAX CLINIC PHYSICIANS; SUPPLEMENTED BY BLUE CROSS - BLUE SHIELD (CHAPEL HILL)										
INTERSTATE	Active	182	--	\$1.231	--	--	--	\$1.231	\$224.04	--	
	Retired	2	--	1.231	--	--	--	1.231	2.26	--	\$226.30
RANDOLPH	(\$11) Office	12	11	2.530	\$5.590	\$8.120	\$5.590	2.530	91.85	\$ 61.49	30.36
	(\$8) Plant	54	39	2.381	4.707	7.088	4.707	2.381	312.14	183.57	128.57
RAYMOND	BLUE CROSS - BLUE SHIELD OF OHIO										
RICHMOND CONTAINER		57	51	4.310	8.570	12.880	Emp. 4.310 E&D. 12.880		682.74	--	682.74
SEABOARD	<u>BLUE CROSS - BLUE SHIELD OF VIRGINIA</u>										
TOTALS:		307	101						\$1,313.03	\$245.06	\$1,067.97

EQUITABLE - UNIT RATE BASIS

(continued on following page)

EXHIBIT I-A (continued)
SUMMARY OF UNIT RATE COSTS

	<u>TOTAL ANNUAL COST</u>	<u>EMPLOYEES PAY</u>	<u>COMPANY PAY</u>
ALBEMARLE	\$ 19,671.12	\$ 10,422.00	\$ 9,249.12
HALIFAX	35,618.40	29,487.12	6,131.28
INTERSTATE	7,901.76	2,469.60	5,432.16
RANDOLPH	7,263.72	2,940.72	4,323.00
RAYMOND	16,561.92	6,325.68	10,236.24
RICHMOND CONTAINER	10,983.96	-	10,983.96
SEABOARD	1,717.68	860.40	857.28
V.M.A. LIFE INSURANCE	<u>16,291.80</u>	<u>-</u>	<u>16,291.80</u>
GRAND TOTAL:	\$116,010.36	\$ 52,505.52	\$63,504.84

CARRIER: EQUITABLE

EXHIBIT I-B

EMPLOYER-EMPLOYEE COST DISTRIBUTION BY COMPANY ANNUALIZED

	<u>VOLUME OF INSURANCE</u>	<u>TOTAL COST</u>	<u>EMPLOYEES PAY</u>	<u>COMPANY PAYS</u>
<u>ALBEMARLE</u>				
Life Insurance	\$ 869,800	\$ 8,767.56	\$ 7,306.32	\$ 1,461.24
Accidental Death (-)	--	--	--	--
Accident and Sickness Hospitalization	121,790	8,441.40	3,115.68	5,325.72
	--	--	--	--
		<u>\$17,208.96</u>	<u>\$10,422.00</u>	<u>\$ 6,786.96</u>
<u>HALIFAX</u>				
Life Insurance	2,732,000	27,538.56	17,047.68	10,490.88
Accidental Death (-)	--	--	--	--
Accident and Sickness Hospitalization	26,580	17,542.80	12,439.44	5,103.36
	--	--	--	--
		<u>\$45,081.36</u>	<u>\$29,487.12</u>	<u>\$15,594.24</u>
<u>INTERSTATE</u>				
Life Insurance	343,000	3,457.44	2,469.60	987.84
Accidental Death (-)	--	--	--	--
Accident and Sickness (N.Y. DBL)	--	--	--	--
Hospitalization	184 Emps.	2,715.60	--	2,715.60
		<u>\$ 6,173.04</u>	<u>\$ 2,469.60</u>	<u>\$ 3,703.44</u>
<u>RANDOLPH</u>				
Life Insurance	86,500	861.60	--	861.60
Accidental Death	86,500	81.00	--	81.00
Accident and Sickness (VMA)	2,190	1,445.40	--	1,445.40
Hospitalization	66 Emps. 50 Dep.	4,847.88	2,940.72	1,907.16
		<u>\$ 7,235.88</u>	<u>\$ 2,940.72</u>	<u>\$ 4,295.16</u>
<u>RAYMOND BAG</u>				
Life Insurance	784,600	7,908.72	3,006.00	4,902.72
Accidental Death	--	--	--	--
Accident and Sickness Hospitalization	8,645	5,705.76	3,319.68	2,386.08
	--	--	--	--
		<u>\$13,614.48</u>	<u>\$ 6,325.68</u>	<u>\$ 7,288.80</u>
<u>RICHMOND CONTAINER</u>				
Life Insurance	179,000	1,804.32	--	1,804.32
Accidental Death	179,000	167.52	--	167.52
Accident and Sickness Hospitalization	1,465	966.96	--	966.96
	57 Emps. 51 Dep.	8,192.88	--	8,192.88
		<u>\$11,131.68</u>	--	<u>\$11,131.68</u>
<u>SEABOARD</u>				
Life Insurance	89,500	902.16	479.04	423.12
Accidental Death	--	--	--	--
Accident and Sickness Hospitalization	1,565	1,032.96	381.24	651.72
	--	--	--	--
		<u>\$ 1,935.12</u>	<u>\$ 860.28</u>	<u>\$ 1,074.84</u>
V.M.A. LIFE INSURANCE	1,508,500	15,205.68	--	15,205.68
		<u>\$117,586.20</u>	<u>\$52,505.40</u>	<u>\$65,080.80</u>

CARRIER: EQUITABLE - COMPOSITE RATE BASIS

(continued on following page)

EXHIBIT I-B (continued)

GROUP LIFE INSURANCE - COST EXHIBIT

THE EQUITABLE LIFE INSURANCE SOCIETY

Rates shown are net and represents discount of 0% over carriers gross rates

<u>FIRM</u>	<u>NUMBER OF EMPS. COVERED</u>	<u>VOLUME OF INSURANCE</u>	<u>RATE PER \$1,000</u>	<u>EMPLOYEES PAY PER \$1,000</u>	<u>COMPANY PAY PER \$1,000</u>	<u>TOTAL MONTHLY COST</u>	<u>TOTAL EMPLOYER PAY</u>	<u>TOTAL COMPANY PAY</u>
ALBEMARLE	623	\$ 869,800	\$.840	\$.700	\$.140	\$ 730.63	\$ 608.86	\$ 121.77
HALIFAX	811	2,732,000	.840	.520	.320	2,294.88	1,420.64	974.24
INTERSTATE	165	343,000	.840	.600	.240	288.12	205.80	82.32
RANDOLPH	66	85,500	.840	-	.840	71.80	-	71.80
RAYMOND (non-contrib.)	346	450,600	.840	-	.840	378.50	-	378.50
RAYMOND (contrib.)	-	334,000	.840	.750	.090	280.56	250.50	30.06
RAYMOND TOTAL	346	784,600	.840	-	.840	659.06	250.50	408.56
RICHMOND CONTAINER	57	179,000	.840	-	.840	150.36	-	150.36
SEABOARD	57	89,500	.840	.446	.394	75.18	39.92	35.26
VA. MANUFACTURERS ASSN.	185	1,508,500	.840	-	.840	1,267.14	-	1,267.14
TOTALS:	2,310	\$6,591,900				\$6,196.23	\$2,776.22	\$3,420.01

EQUITABLE - COMPOSITE RATE BASIS

(continued on following page)

EXHIBIT I-B (continued)

GROUP ACCIDENTAL DEATH - COST EXHIBIT

THE EQUITABLE LIFE ASSURANCE SOCIETY

Rates shown are net and represents discount of 10% over carriers gross rates

<u>FIRM</u>	<u>NUMBER OF EMP'S. COVERED</u>	<u>VOLUME OF INSURANCE</u>	<u>RATE PER \$1,000</u>	<u>EMPLOYEES PAY PER \$1,000</u>	<u>COMPANY PAY PER \$1,000</u>	<u>TOTAL MONTHLY COST</u>	<u>TOTAL EMPLOYEE PAY</u>	<u>TOTAL COMPANY PAY</u>
ALBEMARLE	NIL							
HALIFAX	NIL							
INTERSTATE	NIL							
RANDOLPH	67	\$ 86,500	.078	-	.078	\$ 6.75	-	\$ 6.75
RAYMOND	NIL							
RICHMOND CONTAINER	57	179,000	.078	-	.078	13.96	-	13.96
SEABOARD	NIL							
VA. MANUFACTURERS ASSN.	NIL							
TOTALS:	124	\$265,000				\$20.71	-	\$20.71

EQUITABLE - COMPOSITE RATE BASIS

(continued on following page)

EXHIBIT I-B (continued)

GROUP ACCIDENT AND SICKNESS COST EXHIBIT

THE EQUITABLE LIFE ASSURANCE SOCIETY

Rates shown are net and represents discount of 10% over carriers gross rates

<u>FIRM</u>	<u>NUMBER OF EMPS.</u>	<u>VOLUME OF INSURANCE</u>	<u>RATE PER \$10</u>	<u>EMPLOYEES PAY PER \$10</u>	<u>COMPANY PAY PER \$10</u>	<u>TOTAL MONTHLY COST</u>	<u>TOTAL EMPLOYEE PAY</u>	<u>TOTAL COMPANY PAY</u>
ALBEMARLE	388	\$12,790	\$.550	\$.203	\$.317	\$ 703.45	\$ 259.64	\$ 443.81
HALIFAX	703	28,580	.550	.390	.160	1,461.90	1,036.62	425.28
INTERSTATE	NIL							
RANDOLPH	66	2,190	.550	--	.550	120.45	--	120.45
RAYMOND	251	8,645	.550	.320	.230	475.88	276.64	198.84
RICHMOND CONTAINER	41	1,465	.550	--	.550	80.58	--	80.58
SEABOARD	50	1,565	.550	.203	.347	86.08	31.77	54.31
TOTALS:	1,499	\$53,235				\$2,923.94	\$1,600.67	\$1,323.27

EQUITABLE - COMPOSITE RATE BASIS

(continued on following page)

EXHIBIT I-B (continued)

GROUP HOSPITALIZATION COST EXHIBIT
THE EQUITABLE LIFE ASSURANCE SOCIETY

Rates shown are net and represents discount of 10% over carriers gross rates

<u>FIRM</u>	<u>NUMBER OF EMPS. COVERED</u>	<u>NUMBER OF DEP. UNITS COVERED</u>	<u>RATE PER EMP.</u>	<u>RATE PER DEP. UNIT</u>	<u>TOTAL EMP. & DEP.</u>	<u>EMP PAY</u>	<u>COMPANY PAY PER EMP.</u>	<u>TOTAL MONTHLY COST</u>	<u>TOTAL EMPLOYEE PAY</u>	<u>TOTAL COMPANY PAY</u>
ALBEMARLE	BLUE CROSS - BLUE SHIELD OF VIRGINIA									
HALIFAX	HOSPITAL AND MEDICAL CARE - ROANOKE RAPIDS HOSPITAL CO. HALIFAX CLINIC PHYSICIANS; SUPPLEMENTED BY BLUE CROSS - BLUE SHIELD (CHAPEL HILL)									
INTERSTATE	Active 182	--	\$1.231	--	--	--	\$1.231	\$224.04	--	
	Retired 2	--	1.231	--	--	--	1.231	2.26	--	\$ 226.30
RANDOLPH	(\$11) Office 12	11	2.530	\$5.590	\$8.120	\$5.590	2,530	91.85	\$ 61.49	30.36
	(\$8) Plant 54	39	2.381	4.707	7.088	4.707	2,381	312.14	183.57	128.57
RAYMOND	BLUE CROSS - BLUE SHIELD OF OHIO									
RICHMOND CONTAINER	57	51	4.310	8.570	12.880		Emp. 4.310 E.C.D. 12.880	682.74	--	682.74
SEABOARD	<u>BLUE CROSS - BLUE SHIELD OF VIRGINIA</u>									
TOTALS:	307	101						\$1,313.03	\$245.06	\$1,067.97

EQUITABLE - COMPOSITE RATE BASIS

(continued on following page)

EXHIBIT I-B (continued)

SUMMARY OF COMPOSITE RATE COSTS

	<u>TOTAL ANNUAL COST</u>	<u>EMPLOYEES PAY</u>	<u>COMPANY PAY</u>
ALBEMARLE	\$ 17,208.96	\$10,422.00	\$ 6,786.96
HALIFAX	45,081.36	29,487.12	15,594.24
INTERSTATE	6,173.04	2,469.60	3,703.44
RANDOLPH	7,235.88	2,940.72	4,295.16
RAYMOND	13,614.48	6,325.68	7,288.80
RICHMOND CONTAINER	11,131.68	-	11,131.68
SEABOARD	1,935.12	860.28	1,074.84
V.M.A. LIFE INSURANCE	<u>15,205.68</u>	<u>-</u>	<u>15,205.68</u>
GRAND TOTAL:	\$117,586.20	\$52,505.40	\$65,080.80

CARRIER: EQUITABLE

EXHIBIT II

COMPARATIVE ANNUAL COST OF THE FIVE YEAR NET COST AVERAGE OF THE CONSOLIDATED PLAN AND THE PROGRAM COST FOR THE YEAR PRIOR TO CONSOLIDATION*

	Total Cost			Employee Cost	Company Cost		
	Composite Rate	Unit Rate	Present Plan		Composite Rate	Unit Rate	Present Plan
Albemarle	\$13,069	\$15,142	\$16,143	\$10,333	\$ 2,736	\$4,809	\$5,810
Halifax	34,237	27,418	30,348	25,880	8,357	1,538	4,468
Interstate	4,688	6,083	8,221	2,491	2,197	3,592	5,730
Randolph	5,495	5,592	6,438	2,070	3,425	3,522	4,368
Raymond	10,340	12,748	12,906	6,173	4,167	6,575	6,733
Richmond Cont.	8,453	8,455	14,027	-	8,453	8,455	14,027
Seaboard	1,470	1,322	3,216	1,490 860#	610	462	1,726
VMA	11,548	12,540	14,736	-	11,548	12,540	14,736
TOTAL	\$89,300	\$89,300	\$106,035	\$48,437 47,807#	\$41,493	\$41,493	\$57,598
Premiums - 1959		\$114,453.48					
Minus Refunds		8,406.24					
Net Cost - 1959		<u>\$106,047.24</u>					
				Net Company Cost - 1959			\$57,598
				Net Company Cost - Consolidated Plan			<u>41,493</u>
				Net Company Savings			<u>\$16,105</u>
Net Consolidated Plan Cost		<u>89,300.00</u>					
Net Plan Savings		<u>\$ 16,747.24</u>					

* Figures have been adjusted to allow for 5 year average costs and refunds for 1959.

This figure was used for consolidated information because of a 42% reduction in work force in January, 1960.

CHAPTER VIII

INSTALLATION ON NEW PLAN AND CONCLUSIONS

After The Equitable Life Assurance Society of the United States was awarded the consolidated contract, the next step was to outline definitive patterns for the installation and administration of the plan.

Representatives of the carrier, the broker and the parent company personnel department met and formulated plans for orderly transition. Arrangements were made for the personnel managers of each subsidiary to meet jointly with representatives of the carrier. This meeting was scheduled so that the respective company personnel people would be informed of the mechanics of the changeover and to become acquainted with representatives of the carrier who would assist them in the conversion of records at their respective plant locations.

The simultaneous conversion at each plant was executed in an orderly manner. Both carrier and company representatives involved understood the whole picture as well as their specific assignments, proving the significant value the coordination meeting played in this consolidation work.

Some of the significant details to be resolved in the consolidated program were billing rates, method of

premium payments, claim service and charge-back procedures on refunds developed from the retention formula.

It was decided by management that in its particular situation, use of the composite rate billing would provide for the most profitable tax position. It would develop because the largest cost burden under the composite rate billing would occur at those locations where the tax picture was highest.

Management at its request was allowed to handle premium payments separately by location. This was to be done for two main reasons; first, since the company's financial set up is decentralized, fewer journal entries would be required; and second, to further strengthen management's philosophy, this method would place the responsibility for each location's part of the plan under its direct jurisdiction. Under the composite method, each location would submit its individual monthly billings to the carrier's home office. A copy of the monthly data would be sent to the parent company for reconciliation of the total plan. The brokers would also receive a copy to enable them to service the plan and straighten out difficulties with the greatest expediency.

Even though the carrier had claim offices in proximity to the various locations, it was decided to handle all claims out of the claim office nearest the parent company's residence and that of the broker. It was

felt this would provide the most efficient coordination of the plan, and claim service time under this set up would not be increased. The claim department of the carrier was most cooperative in adapting procedures and forms mutually acceptable to all parties.

One of the primary considerations for consolidation of the entire program was the lower net cost of group insurance under volume discounts and the retention formula. On the net cost basis, there should be dividends to the company. It is important therefore, that an equitable distribution of these dividends be charged back to the various locations. It was suggested that the following method be utilized in charging back such refunds:

1. Calculate the combined retention (premiums less the sum of incurred claims and dividends).
2. Calculate each location's dividend (its premium less the sum of its incurred claims and its retention based on the percentage obtainable in Step 1).

If in any year, one location's experience was unfavorable (i.e., claims plus retention exceeded premiums) no dividend would be payable to the unit until its cumulative premiums exceeded claims plus retention plus dividends in prior years.

CONCLUSION - The work presented in this paper is the result of over six months of comprehensive study of factors involved in the cost and administration of employee benefit plans of a medium size manufacturing company with multi-plant

locations. These various individual plans were a result of their existence at the time of acquisition of subsidiaries by the parent company. After a thorough analysis of the many considerations it is felt by all concerned that the solution to the problem is one which will at this time best serve the desired objectives of the company.

As a result of this consolidation analysis the company will:

1. Be in a more favorable position to intelligently direct future actions toward a uniform benefit level program.
2. Experience a simplified administrative and control position.
3. Realize a very favorable cost position.
4. Enjoy the continuing service provided by a qualified brokerage house.

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