

A PLAN FOR
PROVIDING CERTAIN FRINGE BENEFITS
FOR MINISTERS

PREPARED FOR
THE BALTIMORE MINISTERIUM
of
THE UNITED CHURCH OF CHRIST
(Evangelical and Reformed)

THIS PRESENTATION IS FURNISHED BY
AMERICAN HEALTH INSURANCE CORP.

Baltimore, Maryland

FRINGE BENEFITS

for

YOUR MINISTER

ORDINARY or CATASTROPHIC EXPENSE

Due To

ILLNESS or ACCIDENT

CAN STRIKE YOUR CHURCH

Forward looking employers have found an accepted way of fulfilling their obligations to their employees. The same method is available to you as the employer of your minister.

To the Church Board:

This has to do with a problem which affects each minister and each church. We offer a workable solution for each.

The Minister Has a Dual Position in His Church

(1) He is a spiritual leader in the pulpit and in the daily lives of church members.

(2) He is the salaried employee of a group of people.

This message has to do with his position as an employee.

As an Employee

A minister should be entitled to receive valuable, needed fringe benefits on a favorable tax-treatment basis, on the same basis as do those of his church members who work for enlightened business firms today.

Sickness Protection - The Problem

No one can, by contract, guarantee that an accident or serious illness will not strike a minister or a dependent family member at any time. However, something can be done to prevent this from being a serious financial dislocation for either his family budget or the budget of his church.

Example: How would a minister or his church meet the situation presented by a ninety day hospital stay for his wife, involving a serious operation, expensive special medications and x-rays, and a total bill for, say, \$4,385.60? Could he pay this? Could the Church? If so, from what budget source?

Example: If an accident to, or illness for a minister entails inability to work for a protracted period, say three months or even three years, who fills his shoes? After a few weeks of guests in the pulpit, what then? Can the Church afford to continue regular salary and also pay salary for a temporary substitute for an indefinite period? For how long? From what budget source?

The Solution, in Industry

This problem, in slightly different form, exists in private business, of course. It has been solved in a businesslike manner by group health insurance, financed on a monthly budget basis by the joint contributions of each employee and his employer. It has been sponsored voluntarily by forward-looking employers who are truly interested in employee security.

Some Advantages of Employer-Subsidized Health Insurance -

Advantage (1) - Substantially all eligible risks are enrolled, the good and best

as well as the poor and worst. This is not the case when no subsidy is given. For example, only 60% of eligible risks may enroll if each must pay the whole cost of his coverage; this 60% will include all of the risks known to be substandard. The average risk will not be nearly as good as it is when 100% enroll because of a subsidizing of cost by an employer.

Result, the insurer can charge less for benefits because of a better average risk exposure.

Advantage(2) - With no subsidy of costs, each individual risk may be tempted

to drop coverage if a renewal premium bill is presented at a moment of financial stringency, unless a sickness is in progress. Result, not only the higher acquisition cost of writing new policies to replace lapsation, plus the collection costs of attempting to salvage and reinstate lapses, but a deterioration of risk average. The bad risks never drop coverage against pending claims. With employer-subsidy of insurance costs, this lapsation is negligible. The insurer is able to charge less for benefits as a result.

Advantage (3) - Group billing and record keeping means handling cost savings.

Result: Lower rates.

Advantage (4) - The subsidy of costs by an employer reduces the outlay for each employee. His dollar goes that much further in buying insurance. He gets benefits he could not otherwise afford.

Advantage (5) - The employer's contribution to an insured plan is tax-free to the employee. If it were paid to him in cash income, he would have less available, after income tax, with which to purchase the insurance.

Advantage (6) - Income replacement during disability, under an insured group plan sponsored by the employer, is tax-free to the disabled employee, up to \$100 weekly, under federal tax laws and rulings. This little known fact is responsible for the "Key-Man Disability Insurance" purchased by employers.

Advantage (7) - Last, but by no means least, the plan works to place on a pre-determined, certain basis the budget handling of a catastrophic illness, before it occurs. The cost is shared in advance, on a budgeted basis, by each Church and minister through insurance. This is the businesslike solution to the problem for each.

Why Shouldn't a Minister Receive These Advantages?

The answer is simple. Not enough ministers work for the same individual congregation to be a group for insurance purposes. The only coverages available ordinarily, to an individual minister, have been made available, whether through an association sponsorship or not, without employer-subsidy. Though there may be reimbursement by a church in some instances, insurers have never been able to count on this in designing benefits and computing rates.

How the Proposed Plan Works

First, a protection plan has been designed to meet the needs for health insurance of a minister in this area, and in the ministerial salary range. These needs differ among various denominations, and also in different geographical areas, of course.

Second, special emphasis has been placed on the insuring against both catastrophic hospital bills and catastrophic loss of earnings due to long term illness. This solves the problem a church would face if such a catastrophe should occur without insurance to protect the budget.

Third, the cost of the program is shared equally between the ministers in the Ministerium, and their churches.

Fourth, provision has been made to protect retired ministers at no cost to themselves, their cost being shared equitably among the active ministers and the churches.

Fifth, the plan uses health insurance cost dollars, through employer group sponsorship, to purchase benefits far beyond what any minister could buy as an individual.

Sixth, all service is local, prompt, and free of red tape, as it is administered by American Health's branch offices.

COVERAGE OUTLINE

(1) INCOME REPLACEMENT - \$19,500 Limit for illness (not issued after Age 59)
 Payable during periods of protracted disability due to illness or accident.
 First 4 weeks not covered.

- BENEFIT: \$75.00 WEEKLY THEREAFTER

- \$19,500 limit for any one illness disability, no illness benefit payable after 65th birthday

NO DURATION LIMIT FOR ACCIDENT DISABILITY

- No overall dollar limit for accident

(2) BASIC HOSPITAL EXPENSE COVERAGE - 125 Day Limit

125 days per disability, with a modest allowance for extras, designed to assist in payment for minor and run-of-mine hospital stays, but not to pay the bill in full in any case.

- Pays actual expense, depending on length and nature of stay.

When you are Confined	For a Hospital Stay for Surgery	For a Hospital Stay for Diagnosis, Observation or Treatment of Illness (No Surgery)
1 day	\$ 30.00	\$ 30.00
2 days	45.00	45.00
3 days	60.00	60.00
4 days	105.00	75.00
5 days	150.00	105.00
6 days	195.00	135.00
7 days	210.00	150.00
8 days	240.00	165.00
9 days	270.00	180.00
10 days	300.00	195.00

For each of the next 115 Days - \$18.00

(3) CATASTROPHE HOSPITAL EXPENSE PROVISION - \$10,000 Limit

Removes the Basic 125 day limit for all diagnoses except mental and nervous, and limits the Insured's portion of hospital expense not covered by the Basic coverage to two factors:

(a) Any charge for daily room and board in excess of \$15 during the first 10 days or \$18 thereafter during each hospital stay and

(b) Up to, but not more than, \$50, and provides instead an over-all hospital expense payment limit of \$10,000 per disability.

(4) PAYMENTS FOR PREGNANCY

These benefits are not a specially limited low, flat amount as is so often the case in other plans. Basic Hospital Benefits for a non-surgical stay in the hospital are payable. The \$10,000 limit on hospital "extra" benefits applies also to pregnancy. Caesarian or extra-uterine cases are assigned surgical stay basic limits. For the unexpectedly expensive case, this is the real insurance protection needed.

(5) EMERGENCY TREATMENT OF INJURIES

Covers expense if not hospitalized as in-patient:

Use of hospital emergency or operating room - \$15

*Diagnostic X-Rays - \$30

*Cast or casts - \$15

*Anti-toxin - \$15

*Dressing of burns - \$15

*Or, alternatively, any other expense - \$15

*May be administered anywhere, not just at hospital.

(6) SURGICAL FEE ALLOWANCE

Up to \$200, per schedule (Examples: appendectomy \$100, fractured ulna \$50), payable for operations performed in or out of hospital.

(7) GRADUATE NURSE ALLOWANCE

75% of cost incurred for home care, payment limit; \$15 daily for 60 days.

ELIGIBLE DEPENDENTS - Wife and Children to Age 19 are included for all expense coverage (but not for income replacement).

COLLATERAL DEPENDENTS - Parents, in-laws, uncles and aunts, unmarried children over 19 but still in school, who are physically insurable may be included for expense coverage, if residing permanently with the family, with full cost to be paid by the minister. Appropriate rates will be quoted for such instance.

NOT COVERED

(1) For expense reimbursement:

Expense incurred outside of a general hospital, or accredited mental hospital, or after 125 days of hospital confinement, for care or treatment of illness caused by mental or nervous conditions.

(2) For income replacement while disabled:

(a) Loss of time due to mental or nervous conditions except while institutionalized,

(b) Disability due to war or act of war,

(c) Disability incurred while outside the limits of the United States or Canada, except when furnished by written endorsement added to the Policy (such endorsement will not be issued to cover a period of longer than six months).

RATES - MONTHLY

	<u>For Active Minister</u>
*Payable By Minister	\$13.70
*Payable By Church	\$13.70

The share for each will be increased by an amount equal to a proportionate share of providing coverage for retired ministers.

Example: 17 churches with two retired ministers, rate paid by church and minister for each active minister would be increased by 2/17, or \$1.61 and would be \$15.30. The two retired ministers would receive coverage without cost to themselves.