

# Notes and Brief Reports

## Workmen's Compensation Payments and Costs, 1964\*

The past 3 years have seen a steady rate of increase in compensation payments and medical benefits under workmen's compensation programs, according to revised data compiled by the Social Security Administration. The total of \$1,703 million paid out under the State and Federal laws in 1964 was 7.8 percent higher than the preceding year's total of \$1,580 million. The percentage increase for 1963 was 7.7 percent, and for 1962 it was 7.9 percent.

This uniform rate of growth is mainly a reflection of the expanding economy, which at the end of 1964 had completed 46 months of uninterrupted advance. The estimated number of workers covered by the workmen's compensation programs in an average week increased by more than 1 million in 1964 to a total of 47.2-47.4 million; the increase in 1963 was 800,000. Average wages on which cash benefits are based rose by more than 4 percent from 1963 to 1964, compared with a 3-percent gain in the preceding year. The combination of higher wage rates and increased coverage produced a covered payroll of \$263 billion in 1964. The payroll increase from 1963 (7.1 percent) exceeded even the rise in the gross national product.

Two factors operated to keep the 1964 increase in benefit payments within the same range as preceding years. The first was a reduction in the work-accident rate. Although for the second year in a row the number of disabling work injuries (compensable and noncompensable), as reported by the Bureau of Labor Statistics, exceeded the 2 million mark, the 1964 increase (30,000) was less than that in the labor force exposed to industrial hazards. The second factor was the slight slowdown in the rise in medical care prices, which affect medical benefits. According to the consumer price index of the Bureau of Labor Statistics, medical care prices rose 2 percent in 1964, com-

pared with annual advances of 2.5 percent in each of the 2 preceding years.

Legislative activity in the field of workmen's compensation was limited in 1964. Only two States increased benefits for all types of disability; a few others made improvements in specific types of benefits. The 1964 data, however, reflect the large number of liberalizing amendments that were enacted in more than 40 States in 1963 but did not go fully into effect until 1964.

In 1964, as in the 4 preceding years, private insurance carriers were responsible for about 63 percent of all benefits paid. Disbursements under State insurance funds (including the Federal workmen's compensation programs) dropped during the year from 25 percent to 24 percent of the total, and self-insurance payments, reversing a long-term trend, increased from 12 percent to 13 percent.

The benefit dollar under workmen's compensation has consistently shown a fairly steady distribution by types of payments. About 33 cents of every dollar goes for hospitalization and other medical costs, and about 67 cents is paid as cash indemnity to help replace the wage loss of injured or deceased workers. Eight cents of the 67 cents goes to survivors in death cases. The 1963 and 1964 distribution follows:

[In millions]

Type of payment	1964	1963
Total.....	\$1,703	\$1,580
Medical and hospitalization.....	565	525
Compensation, total.....	1,138	1,055
Disability.....	998	925
Survivor.....	140	130

The data on direct losses paid by private insurance companies are obtained through arrangements with the individual State insurance commissions. In 13 States the 1964 data were not available, and estimates had to be made based on the percentage changes from the preceding years in direct losses incurred. Estimates were also made for the eight States that did not furnish 1963 information.

### STATE VARIATIONS IN BENEFIT PAYMENTS

Payments in each of six States—California, New York, Ohio, Texas, Illinois, and New Jersey

\*Prepared in the Office of Research and Statistics by Alfred M. Skolnik and Julius W. Hobson. Annual estimates of workmen's compensation payments in recent years have appeared in the January issues of the *Bulletin*.

(listed in order of magnitude of benefit expenditures)—amounted to more than \$75 million in 1964, and together these States accounted for 48 percent of the total amount expended. The \$253

million paid in California was \$67 million more than that paid in New York. A decade ago, New York ranked first, with \$58 million more in benefit payments than California's \$84 million. The

Estimates of workmen's compensation payments, by State and type of insurance, 1964 and 1963 <sup>1</sup>

(In thousands)

State	1964				1963				Percentage change in total payments, 1964 from 1963
	Total	Insurance losses paid by private insurance carriers <sup>2</sup>	State fund disbursements <sup>3</sup>	Self-insurance payments <sup>4</sup>	Total	Insurance losses paid by private insurance carriers <sup>2</sup>	State fund disbursements <sup>3</sup>	Self-insurance payments <sup>4</sup>	
Total.....	\$1,702,756	\$1,070,018	\$408,830	\$223,908	\$1,580,172	\$987,580	\$388,383	\$204,209	+7.8
Alabama.....	14,608	8,348		6,260	12,598	7,198		5,400	+16.0
Alaska.....	3,493	3,258		235	3,227	3,012		215	+8.2
Arizona.....	18,959	670	17,789	520	16,789	673	15,592	524	+12.9
Arkansas.....	10,802	9,107		1,695	9,926	8,136		1,790	+8.8
California.....	253,420	163,720	63,890	25,810	226,691	147,035	56,566	23,090	+11.8
Colorado.....	15,082	5,026	8,686	1,370	14,089	4,676	8,133	1,280	+7.0
Connecticut.....	18,792	17,287		1,505	20,339	18,709		1,630	-7.6
Delaware.....	3,266	2,626		640	2,824	2,269		555	+16.7
District of Columbia.....	7,977	7,512		465	7,164	6,604		560	+11.3
Florida.....	48,868	44,083		4,785	44,613	40,248		4,365	+9.5
Georgia.....	18,148	15,513		2,635	15,465	13,220		2,245	+17.3
Hawaii.....	6,365	4,400		1,965	5,920	4,091		1,829	+7.5
Idaho.....	5,937	3,959	1,408	570	5,589	3,806	1,307	476	+6.2
Illinois.....	84,680	70,240		14,440	78,410	65,130		13,280	+8.0
Indiana.....	22,305	19,000		3,305	22,300	18,995		3,305	0
Iowa.....	11,851	9,481		2,370	11,119	8,894		2,225	+6.6
Kansas.....	16,050	12,040		3,010	14,480	11,585		2,895	+3.9
Kentucky.....	16,454	12,354		4,100	14,509	10,894		3,615	+13.4
Louisiana.....	34,540	30,035		4,505	30,217	26,277		3,940	+14.3
Maine.....	3,714	3,229		485	3,490	3,035		455	+6.4
Maryland.....	27,382	21,045	3,012	3,325	24,666	18,673	3,098	2,895	+11.0
Massachusetts.....	61,837	57,257		4,580	57,299	53,054		4,245	+7.9
Michigan.....	60,602	40,232	4,530	15,840	56,533	37,495	4,358	14,680	+7.2
Minnesota.....	27,173	23,423		3,750	25,381	21,881		3,500	+7.1
Mississippi.....	10,951	10,121		830	10,210	9,435		775	+7.3
Missouri.....	30,966	26,786		4,180	24,366	21,076		3,290	+27.1
Montana.....	6,936	2,231	3,619	1,086	6,094	2,014	3,099	981	+13.8
Nebraska.....	6,556	6,226		330	5,022	4,769		253	+30.5
Nevada.....	6,545	6	6,394	145	5,687	6	5,553	128	+15.1
New Hampshire.....	4,807	4,712		95	4,701	4,606		95	+2.3
New Jersey.....	77,460	70,675		6,785	71,372	64,649		6,723	+8.5
New Mexico.....	8,798	7,743		1,055	8,694	7,654		1,040	+1.2
New York.....	185,506	116,497	46,271	22,738	182,712	114,753	46,273	21,686	+1.5
North Carolina.....	19,725	16,590		3,135	17,550	14,780		2,790	+12.4
North Dakota.....	2,983	8	2,975		3,080	7	3,073		-3.2
Ohio.....	133,192	180	94,603	38,409	124,791	232	91,850	32,700	+6.7
Oklahoma.....	19,036	15,415	2,440	1,172	17,110	13,776	2,164	1,170	+11.3
Oregon.....	29,086	3,971	25,115		28,879	2,997	25,882		+0.7
Pennsylvania.....	66,792	41,664	4,559	20,569	61,634	37,928	4,549	19,157	+8.4
Rhode Island.....	6,762	6,397		365	6,718	6,358		360	+0.7
South Carolina.....	9,644	8,534		1,110	9,617	8,292		1,325	+0.3
South Dakota.....	2,189	1,904		285	1,853	1,613		240	+18.1
Tennessee.....	18,903	17,153		1,750	16,467	14,942		1,525	+14.8
Texas.....	85,882	85,882			81,692	81,692			+5.1
Utah.....	5,016	1,429	2,752	835	5,189	1,571	2,753	865	-3.3
Vermont.....	2,413	2,193		220	2,857	2,597		260	-15.5
Virginia.....	18,127	14,982		3,145	16,274	13,449		2,825	+11.4
Washington.....	33,462	1,122	32,165	175	31,387	1,063	30,134	190	+6.6
West Virginia.....	17,004	150	14,580	2,274	16,245	120	13,923	2,202	+4.7
Wisconsin.....	28,639	23,584		5,055	26,245	21,610		4,635	+9.1
Wyoming.....	2,077	18	2,059		1,954	21	1,933		+6.3
Federal workmen's compensation:									
Civilian employees <sup>5</sup> .....	55,093		55,093		52,319		52,319		+5.3
Other <sup>6</sup> .....	16,901		16,901		15,815		15,815		+6.9

<sup>1</sup> Data for 1964 preliminary. Calendar-year figures, except that data for Montana and West Virginia, for Federal workmen's compensation, and for State fund disbursements in Maryland, Nevada, North Dakota, Oregon, and Utah represent fiscal years ended in 1963 and 1964. Includes benefit payments under the Longshoremen's and Harbor Workers' Compensation Act and the Defense Base Compensation Act for the States in which such payments are made.

<sup>2</sup> Net cash and medical benefits paid during the calendar year by private insurance carriers under standard workmen's compensation policies. Data obtained from published and unpublished reports of the State insurance commissions, except in a few States where estimates are based on percentage changes from preceding years in direct losses incurred as reported by the National Council on Compensation Insurance.

<sup>3</sup> Net cash and medical benefits paid by State funds compiled from State

reports (published and unpublished); estimated for some States.

<sup>4</sup> Cash and medical benefits paid by self-insurers, plus the value of medical benefits paid by employers carrying workmen's compensation policies that do not include the standard medical coverage. Estimated from available State data.

<sup>5</sup> Payments to civilian Federal employees (including emergency relief workers) and their dependents under the Federal Employees' Compensation Act.

<sup>6</sup> Primarily payments made to dependents of reservists who died while on active duty in the Armed Forces, to individuals under the War Hazards Act, War Claims Act, and Civilian War Benefits Act, and to cases involving Civil Air Patrol and Reserve Officers Training Corps personnel and maritime war risks.

other four States have maintained their relative position.

Seven States—Alaska, Delaware, Maine, North Dakota, South Dakota, Vermont, and Wyoming—made payments of less than \$4 million each. These payments, in the aggregate, were slightly more than 1 percent of all 1964 payments.

Although the nationwide increase in benefit payments for 1964 was the same as in the preceding year, percentage changes for individual States showed less variation than in 1963. Two States (Missouri and Nebraska) reported increases of 20 percent or more, compared with three jurisdictions in 1963. Four States (Connecticut, North Dakota, Utah, and Vermont) showed decreases; seven States had declines in 1963.

More than half the covered labor force in 1964 was concentrated in the 21 jurisdictions that reported benefit increases of 5.0–9.9 percent, increases roughly in step with the national average. In the preceding year only 14 States, with 19 percent of the covered workers, had such increases. In nine States, having 18 percent of covered employment, the increase from 1963 to 1964 was less than 5 percent, and under 16 programs, accounting for 25 percent of the coverage, benefit payment increases ranged from 10.0 percent to 19.9 percent. For 10 of the 16 programs, the percentage increase was a continuation of a rise that had been greater than the national increase during the preceding year.

By way of contrast, in 1963 one-third of the covered workers were in States where the increase was less than 5 percent, and two-fifths were under jurisdictions where benefit payments had risen by 10.0–19.9 percent.

## **COST RELATIONSHIPS**

The costs of workmen's compensation continued to mount in 1964. Total benefit outlays were equivalent to 0.65 percent of covered payroll, compared with 0.64 percent in 1963 and 0.63 percent in 1962. This increase was reflected in the amounts spent by employers to insure or self-insure their work-injury risks. In the aggregate these amounts reached a new postwar high of \$2,735 million in 1964, representing \$1.04 per \$100 of covered

payroll. The rise has been continuous since 1959, when costs amounted to only 91 cents per \$100. In 1961, the ratio was 98 cents per \$100 and in 1963, \$1.02.

The \$2,735 million was distributed as follows: (1) \$1,950 million in premiums paid to private insurance companies; (2) \$545 million in premiums paid to State insurance funds (for the Federal programs financed through congressional appropriations, these "premiums" are the sum of benefit payments and the costs of the administrative agency); and (3) about \$240 million as the cost of self-insurance (benefits paid by self-insurers, with the total increased 5–10 percent to allow for administrative costs). In 1963, employers spent about \$2,505 million or \$230 million less than in 1964.

Of the total employer cost of \$2.7 billion, the benefit payments of \$1,703 million represented 62 percent—a drop of 1 percentage point from the preceding year. The ratio had been as high as 65 percent in 1959.

The loss ratio (losses paid as a percentage of direct premiums written) of private carriers was 55 percent—the same percentage as in 1963 but lower than the 1962 ratio of 56 percent. A loss ratio based on losses incurred (which include amounts set aside to cover liabilities for future claims payments) would be higher. According to data from the National Council on Compensation Insurance, losses incurred by private carriers represented 3 percent of net premiums earned in 1964 and 64 percent in 1963.

The State funds (with the Federal fund excluded) also experienced a drop in the ratio of benefits paid to premiums. They declined from 74 percent in 1963 to 72 percent in 1964.

The loss ratio for private carriers and, to some extent, for State funds, do not take into account the premium income that is returned to employers in the form of dividends. This year, for the first time, as part of the data-securing arrangements with the State insurance commissions, information was obtained from 10 States on dividend experience. These States reported that dividends under private workmen's compensation policies amounted to 6.6 percent of premiums. If the loss ratios mentioned above were adjusted to allow for dividends, they would be increased by about 4 percentage points.