

Notes and Brief Reports

Workmen's Compensation Payments and Costs, 1965*

The estimated number of workers covered by State and Federal workmen's compensation laws in an average week passed the 50-million mark in 1965. The 50.5-50.7 million workers covered represented a little more than 80 percent of the civilian employed wage and salary labor force in the country. During the past decade, this percentage has remained relatively stable, although the number of workers covered has increased by more than 9 million. In 1965 alone, a 2-million increase in coverage was recorded, the largest gain for any single year during the decade.

Payrolls covered by workmen's compensation also hit a new high in 1965 as wage levels advanced an average of 3.3 percent. The estimated covered payroll for 1965 was \$290 billion, an increase of 6 percent from the preceding year's estimate of \$273 billion.

Despite the growth in the number of covered workers and payrolls and the acceleration in economic activity in 1965, workmen's compensation payments increased at a slower rate in 1965 than in 1964. The total of \$1,797 million paid out in medical and cash benefits under State and Federal work injury laws was 5.6 percent higher than the 1964 aggregate of \$1,701 million. The 1964 rise had been 7.5 percent. In absolute numbers, the \$96 million increase in workmen's compensation payments in 1965 was the fourth highest annual increase for the decade.

Two factors probably contributed to the slower rate of increase. The first was the slight rise in work accident rates in 1965. According to the Bureau of Labor Statistics, the factory work-injury frequency rate for 1965 was 12.9 per million man-hours worked, compared with 12.7 for 1964 and 11.9 for 1963. This increase is considered below normal for a period of expanding

* 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*. A summary article appeared in the *Bulletin* for October 1966.

production when hundreds of thousands of workers move into new and unfamiliar jobs and others engage in overtime work that may result in fatigue and relaxed vigilance.

The second factor was that, though 1965 was an active legislative year for changes and improvements in the work-injury laws, for many States the changes did not go fully into effect until 1966. These changes included increases in maximum benefits for temporary total disability—the most common type of disability—in 25 States; several States enacted similar increases in benefits for permanent total disability, for partial disability, and for death. Fifteen States, the District of Columbia, and the two Federal programs paid maximum benefits of \$60 or more for temporary total disability at the end of 1965; seven other States paid maximums of \$55 or more.

Of the total payments of \$1,797 million in 1965, private carriers were responsible for 63 percent, State insurance funds (including the Federal workmen's compensation programs) for 24 percent, and self-insurers for 13 percent. Private carrier and self-insured payments increased at a somewhat faster pace (6-7 percent) than State fund disbursements (4 percent).

It is estimated that, in both 1965 and 1964, medical and hospitalization costs accounted for about one-third of total workmen's compensation payments. Of the nonmedical payments, some 88 percent was cash compensation for nonfatal injuries and the remaining 12 percent was paid in death cases. The estimated amounts for each year are as follows:

[In millions]		
Type of payment	1965	1964
Total.....	\$1,797	\$1,701
Medical and hospitalization.....	595	565
Compensation, total.....	1,202	1,136
Disability.....	1,057	1,001
Survivor.....	145	135

The data on direct losses paid by private insurance companies are obtained through arrangements with the individual State insurance commissions. In 17 States, the 1965 data were not available and estimates, based on percentage changes from the preceding years in direct losses incurred, had to be made. Estimates were also made for the 11 States that did not furnish 1964 information.

State Variations in Benefit Payments

Eleven jurisdictions reported a decline in aggregate benefit payments for 1965—the largest number since World War II days. These jurisdic-

tions, however, accounted for only 7 percent of the covered labor force, as 80 percent of the workers were under laws that registered moderate increases up to 10 percent. Eleven States, with

Estimates of workmen's compensation payments, by State and type of insurance, 1965 and 1964¹

[In thousands]

State	1965				1964				Percentage change in total payments, 1965 from 1964
	Total	Insurance losses paid by private insurance carriers ²	State fund disbursements ³	Self-insurance payments ⁴	Total	Insurance losses paid by private insurance carriers ²	State fund disbursements ³	Self-insurance payments ⁴	
Total.....	\$1,796,551	\$1,133,452	\$425,342	\$237,757	\$1,700,533	\$1,068,968	\$408,749	\$222,816	5.6
Alabama.....	16,554	9,459		7,095	14,608	8,348		6,260	+13.3
Alaska.....	3,514	3,279		235	3,760	3,510		250	-6.5
Arizona.....	20,424	751	19,088	585	18,959	670	17,789	520	+7.7
Arkansas.....	11,568	9,753		1,815	10,802	9,107		1,695	+7.1
California.....	267,699	174,367	64,012	29,320	255,662	163,720	63,890	28,052	+4.7
Colorado.....	15,297	4,650	9,257	1,390	15,082	5,026	8,686	1,370	+1.4
Connecticut.....	19,415	17,860		1,555	18,792	17,287		1,505	+3.3
Delaware.....	2,347	1,862		485	3,306	2,626		680	-29.0
District of Columbia.....	6,397	6,007		390	6,746	6,352		394	-5.2
Florida.....	54,708	48,429		6,279	48,868	44,083		4,785	+12.0
Georgia.....	19,830	16,950		2,880	18,148	15,513		2,635	+9.3
Hawaii.....	7,068	4,883		2,185	6,365	4,400		1,965	+11.0
Idaho.....	5,821	3,811	1,450	560	6,009	3,959	1,475	575	-3.1
Illinois.....	86,981	73,026		13,955	83,663	70,240		13,423	+4.0
Indiana.....	23,116	19,691		3,425	22,942	19,542		3,400	+0.8
Iowa.....	12,155	9,725		2,430	11,119	8,804		2,225	+9.3
Kansas.....	15,817	12,652		3,165	15,050	12,040		3,010	+5.1
Kentucky.....	15,555	13,305		2,250	14,714	12,354		2,360	+5.7
Louisiana.....	43,765	38,055		5,710	34,540	30,035		4,505	+26.7
Maine.....	4,108	3,573		535	3,714	3,229		485	+10.6
Maryland.....	24,565	18,751	2,626	3,188	27,340	21,045	2,970	3,325	-10.2
Massachusetts.....	65,131	60,306		4,825	61,837	57,257		4,580	+5.3
Michigan.....	69,799	46,670	4,879	18,250	60,602	40,232	4,530	15,840	+15.2
Minnesota.....	27,771	23,941		3,830	27,173	23,423		3,750	+2.2
Mississippi.....	11,814	10,919		895	10,951	10,121		830	+7.9
Missouri.....	31,114	27,054		4,060	30,806	26,786		4,020	+1.0
Montana.....	6,680	2,092	3,568	1,020	6,936	2,231	3,619	1,086	-3.7
Nebraska.....	5,921	5,621		300	6,556	6,226		330	-9.7
Nevada.....	7,380	20	7,195	165	6,556	17	6,394	145	+12.6
New Hampshire.....	4,457	4,372		85	4,807	4,712		95	-7.3
New Jersey.....	83,947	75,087		8,860	77,341	70,567		6,774	+8.5
New Mexico.....	8,823	7,768		1,055	8,798	7,743		1,055	+0.3
New York.....	197,439	124,452	48,742	24,245	185,503	116,497	46,271	22,738	+6.4
North Carolina.....	20,611	17,586		3,025	19,445	16,590		2,855	+6.0
North Dakota.....	3,721	9	3,712		2,983	8	2,975		+24.7
Ohio.....	138,971	195	99,552	39,224	133,192	180	94,603	38,409	+4.3
Oklahoma.....	20,079	16,140	2,704	1,235	19,036	15,415	2,449	1,172	+5.5
Oregon.....	28,102	3,845	24,267		29,086	3,971	25,115		-3.4
Pennsylvania.....	69,033	43,543	4,230	21,260	66,792	41,664	4,559	20,569	+3.4
Rhode Island.....	8,376	7,926		450	6,762	6,397		365	+23.9
South Carolina.....	10,764	9,524		1,240	9,644	8,534		1,110	+11.6
South Dakota.....	2,218	1,928		290	2,189	1,904		285	+1.3
Tennessee.....	20,737	18,817		1,920	18,903	17,153		1,750	+9.7
Texas.....	89,147	89,147			85,882	85,882			+3.8
Utah.....	4,978	1,167	2,981	830	4,890	1,429	2,646	815	+1.8
Vermont.....	2,525	2,295		230	2,413	2,193		220	+4.6
Virginia.....	17,952	14,837		3,115	18,127	14,982		3,145	-1.0
Washington.....	38,083	1,658	36,250	175	33,462	1,122	32,165	175	+13.8
West Virginia.....	17,891	111	15,464	2,316	17,004	150	14,580	2,274	+5.2
Wisconsin.....	30,976	25,551		5,425	28,594	23,584		5,010	+8.3
Wyoming.....	1,953	42	1,911		2,077	18	2,059		-6.0
Federal workmen's compensation:									
Civilian employees ⁵	58,747		58,747		55,093		55,093		+6.6
Other ⁶	14,707		14,707		16,901		16,901		-13.0

¹ Data for 1965 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 1964 and 1965. Includes benefit payments under the Longshoremen's and Harbor Workers' Compensation Act and the Defense Bases Compensation Act for the States in which such payments are made.

² 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.

³ Net cash and medical benefits paid by State funds compiled from State

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

⁴ 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.

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

⁶ 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.

13 percent of the coverage, had increases of 10 percent or more.

During 1964, in contrast, only 3 percent of the insured labor force was in jurisdictions that reported declines in benefit payments. Seventy-two percent of the covered workers were under programs in which benefit payments had risen by 0.1-9.9 percent, and 25 percent were located in States with increases of 10 percent or more.

The 11 jurisdictions reporting 1965 declines in benefit payments were concentrated along the Eastern seaboard and in the Rocky Mountain region. Declines of more than 10 percent were registered in Delaware and Maryland. Five of the 11 areas—District of Columbia, Idaho, New Hampshire, Oregon, and Wyoming—also experienced drops in 1964 or rises of less than the national average in that year.

The 11 States reporting increases of 10 percent or more in 1965 were scattered geographically. In three of these States (Rhode Island, North Dakota, and Louisiana) the increases were higher than 20 percent. For four of the 11 States (Alabama, Florida, Louisiana, and Nevada) the growth was a continuation of a rise that had exceeded the national average during the preceding year.

Of the 30 jurisdictions in 1965 that reported increases ranging from 0.1 to 9.9 percent, 14 showed increases up to 5 percent and 16 (including the program for Federal civilian employees) rose 5.0-9.9 percent. The 14 States accounted for 43 percent of covered employment and the 16 jurisdictions for 37 percent. In the previous year, only 19 percent of the covered workers were in the States with increases of 0.1-4.9 percent and 53 percent were under State or Federal programs reporting rises of 5.0-9.9 percent.

In short, more workers in 1965 than in 1964 were under programs that experienced moderate increases in total benefit payments. Only 19 jurisdictions had benefit increases in 1965 that were greater than those of the preceding year.

Cost Relationships

For the sixth successive year, the cost of workmen's compensation to employers rose in 1965 as a percentage of covered payroll. From a low of 89 cents per \$100 of payroll in 1959, costs edged

up to 93 cents in 1960, 96 cents in 1962, \$1.00 in 1964, and finally, \$1.01 in 1965. The latter figure is a new high for the years since World War II.

In absolute dollars, employers spent almost \$200 million more in 1965 than in 1964 to insure or self-insure their work-injury risks. The estimated \$2,925 million spent in 1965 consists of (a) \$2,100 million in premiums paid to private insurance companies; (b) \$570 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 (c) about \$255 million as the cost of self-insurance (benefits paid by self-insurers, with the total increased 5-10 percent to allow for administrative costs).

Total benefit outlays as percent of payroll have shown no change for the past 4 years, continuing to equal 62 cents for every \$100 of covered payroll. Before 1962, a lower ratio had prevailed (58 cents in 1958, 55 cents in 1955, and 54 cents in 1950).

Because costs showed a greater relative increase in 1965 than benefit outlays, the proportion of the premium dollar that reached the injured worker dropped from 62 percent in 1964 to 61 percent in 1965. This is the lowest ratio recorded since 1957.

For private carriers alone, the ratio of direct losses paid to direct premiums written (the loss ratio) was also one percentage point lower in 1965 than in 1964. The loss ratio of 54 percent in 1965 was the lowest reported since 1957. 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 63 percent of net premiums earned in both 1964 and 1965.

The State funds (with the Federal program excluded) likewise experienced a drop of one percentage point in the ratio of benefits paid to premiums—from 73 percent in 1964 to 72 percent in 1965. A ratio as high as 78 percent had been registered in 1962.

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. Data secured from State insurance commissions revealed that dividends

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TABLE M-5.—Hospital insurance trust fund: Status, 1966

[In thousands]

Period	Receipts			Expenditures			Assets at end of period		
	Net contribution income ¹	Transfers from general revenues ²	Transfers from railroad retirement account ³	Net interest ⁴	Net hospital and related service benefits ⁵	Administrative expenses ⁶	Invested in U.S. Government securities ⁷	Cash balances	Total assets
Cumulative, January–September 1966 ⁸	\$1,444,650	\$36,800	\$16,305	\$7,802	\$271,389	\$84,202	\$1,152,288	-\$2,322	\$1,149,966
Fiscal year: 1965-66 ⁸	908,797			5,970		63,564	785,758	65,446	851,204
1966									
February.....	161,000			(⁹)		579	149,420	11,001	160,421
March.....	151,000			2		289	292,133	19,001	311,134
April.....	51,228			3		268	346,868	15,229	362,097
May.....	299,124			4		285	596,814	64,125	660,939
June ⁸	246,445			5,962		62,142	785,758	65,446	851,204
July.....	138,698	36,800		25	3,824	6,847	989,195	26,860	1,016,055
August.....	234,051		16,305	696	104,339	7,308	1,113,109	42,352	1,155,461
September.....	163,104			1,111	163,226	6,484	1,152,288	-2,322	1,149,966

¹ Represents amounts appropriated (estimated tax collections with suitable subsequent adjustments), after deductions for refund of estimated amount of employee-tax overpayment.

² Represents Federal Government transfers from general funds appropriations to meet costs of benefits for persons not insured for cash benefits under OASDHI or railroad retirement and for costs of benefits arising from military wage credits.

³ Represents receipts under the annual financial interchange with railroad retirement account (see footnote 5, table M-4) with respect to contributions for hospital insurance coverage of railroad workers.

⁴ Represents interest and profit on investments after transfers of interest on administrative expenses reimbursed to the OASI trust fund (see footnote 6).

⁵ Represents (1) payment vouchers on letters of credit issued to fiscal intermediaries under sec. 1816 and (2) direct payments to providers of services under sec. 1815 of the Social Security Act.

⁶ Subject to subsequent adjustment among all 4 social security trust funds for allocated cost of each operation.

⁷ Book value: Includes net unamortized premium and discount, and, when applicable, accrued interest purchased and repayments on account of interest accrued on bonds at time of purchase.

⁸ Preliminary.
⁹ Less than \$500.

Source: *Monthly and Final Statement of Receipts and Expenditures of U.S. Government* and unpublished Treasury reports.

TABLE M-6.—Supplementary medical insurance trust fund: Status, 1966

[In thousands]

Period	Receipts			Expenditures		Assets at end of period		
	Premium income ¹	Transfers from general revenues ²	Net interest ³	Net medical service benefits ⁴	Administrative expenses ⁵	Invested in U.S. Government securities ⁶	Cash balances	Total assets
Cumulative, July–September 1966.....	\$160,496		\$231	\$19,913	\$21,565	\$117,749	\$1,501	\$119,250
1966								
July.....	50,211		(⁷)	1,892	7,190	44,308	-3,179	41,129
August.....	59,933		76	4,625	7,655	73,392	15,467	88,859
September.....	50,352		155	13,396	6,720	117,749	1,501	119,250

¹ Represents voluntary premium payments from and in behalf of insured persons.

² Represents Federal Government transfers from general funds appropriations to match aggregate premiums paid.

³ Represents interest and profit on investments, after transfers of interest on administrative expenses reimbursed to the OASI trust fund (see footnote 5).

⁴ Represents payment vouchers on letters of credit issued to carriers under section 1842 of the Social Security Act.

⁵ Subject to subsequent adjustment among all 4 social security trust funds for allocated cost of each operation.

⁶ Book value: Includes net unamortized premium and discount, and, when applicable, accrued interest purchased and repayments on account of interest accrued on bonds at the time of purchase.

⁷ Less than \$500.

Source: *Monthly and Final Statement of Receipts and Expenditures of the U.S. Government* and unpublished Treasury reports.

WORKMEN'S COMPENSATION

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under private workmen's compensation policies in 1965 amounted to 6.3 percent of premiums in the District of Columbia and the 13 States that re-

ported such data. In 1964 the ratio was 6.1 percent for the 13 States reporting. If the loss ratios mentioned above were adjusted to allow for dividends, they would be increased about four percentage points.