

exclusive sick leave (shown in table 5) is omitted from the computations to avoid inflating the benchmark base with income loss already covered by sick leave.<sup>2</sup>

In 1966, insurance benefits of \$1,616 million were meeting 35.0 percent of the theoretical income loss (after excluding the first 3 days of income loss and one-third of the wage loss after the waiting period). When the first 7 days of

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<sup>2</sup> The income loss of persons covered by sick-leave plans that supplement insurance benefits is not excluded, since such sick-leave provisions do not give any appreciable protection against the portion of the loss resulting from sickness that is considered insurable under prevailing provisions.

sickness are excluded, the proportion of the potentially compensable income loss replaced by insurance in 1966 becomes 44.6 percent. The gap in income replacement reflects both the omission of benefits for those workers not covered and the extent to which the benefit amounts under insurance plans are less than the desired norm.

These indexes of the effectiveness of insurance in meeting the impact of illness are the lowest registered since 1957. Highs for the series were registered for 1959 when the income loss replaced by insurance after a 3-day waiting period was 38.1 percent and that after a 7-day waiting period was 48.5 percent.

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## Notes and Brief Reports

### Workmen's Compensation Payments and Costs, 1966 \*

Cash payments and medical services under workmen's compensation programs in the United States increased in 1966 by \$190 million—the largest dollar increase recorded for any year. The estimated total of \$1,975 million paid out in 1966 under State and Federal work-injury laws was 10.6 percent higher than the 1965 aggregate of \$1,785 million and represented the greatest annual rate of growth since the years of the Korean conflict. Twenty years earlier, workmen's compensation payments amounted to less than one-fourth the 1966 total and 10 years ago to slightly more than one-half.

Contributing to the record-high spurt in benefit payments were unusual advances in covered employment, wage levels, and medical care prices. An estimated 53.4–53.6 million workers were covered in an average week in 1966, a gain

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of almost 3 million from the year before. This was the largest absolute and relative increase since the 1940's.

Average wages on which cash benefits are based advanced more than 4 percent from 1965 to 1966, compared with a rise of slightly more than 3 percent in the preceding year. The 1966 rate of increase has been exceeded in only two other years during the past decade. The combination of higher wage rates and increased coverage resulted in an unprecedented jump of \$30 billion in payrolls in covered employment. The estimated covered payroll of \$320 billion for 1966 was more than 10 percent larger than the estimate of \$290 billion for the preceding year and represented the greatest proportionate increase since 1951.

Medical care prices also experienced a rise that had not been surpassed in almost a decade. According to the consumer price index of the Bureau of Labor Statistics, hospital and medical care prices rose 4.4 percent in the calendar year 1966 compared with 2.4 percent in 1965.

Other factors contributing to the accelerated benefit payments were a reported increase in work accident rates and statutory changes in workmen's compensation provisions. Injury rates rose roughly 5 percent in 1966, as projected from data compiled by the Bureau of Labor Statistics for the first half of the year. (Complete data for

the year are not yet available.) Increases of this magnitude are not unexpected for a period of expanding 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.

Only seven States increased the amount of cash benefits payable to injured workers in 1966. Twenty-seven States had increased their benefits in 1965, however, and in most of these States the full force of the liberalizing amendments were first felt in 1966.

Total benefit outlays, as measured against aggregate payrolls, once again showed no change in 1966. The ratio of benefits to payrolls equaled 0.62 percent for the fifth year in succession. Before 1962, a lower ratio had prevailed.

Aggregate benefit payments by private insurance carriers continued to rise at a faster pace than did State fund disbursements. This differential in annual growth rates, while relatively small, has produced discernible results over the years. The proportion of all benefits paid represented by private insurance carriers increased from 62 percent in 1961 to 64 percent in 1966. For State insurance funds (including the Federal workmen's compensation programs), the proportion of the total dropped from 25 percent in 1961 to 23 percent in 1966. In both years, self-insurance had 13 percent of the total business. The trend away from State funds has received further impetus from changes in the Oregon exclusive State law which permitted employers to buy insurance from private carriers or to self-insure, effective January 1, 1966.

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 1965 and 1966 distribution follows:

[In millions]

Type of payment	1966	1965
Total.....	\$1,975	\$1,785
Medical and hospitalization.....	665	595
Compensation, total.....	1,310	1,190
Disability.....	1,155	1,045
Survivor.....	155	145

The data on direct losses paid by private insurance companies are obtained through arrangements with the individual State insurance commissions. In 13 States, the 1966 data were not available and estimates, based on percentage changes from the preceeding years in direct losses incurred, had to be made. Estimates were also made for the 11 States that did not furnish 1965 information.

#### State Variation in Benefit Payments

Seven States with aggregate benefit expenditures of almost \$1,050 million accounted in 1966 for 53 percent of total workmen's compensation payments in the country and for 58 percent of the increase during the year. These States (listed in order of payments) were California, New York, Ohio, Illinois, Michigan, Texas, and New Jersey.

All but three States (Rhode Island, South Dakota, and Vermont) reported increased benefit payments for 1966, but the increases were far from uniform. In 11 States that had 28 percent of the covered workers, payments were at least 15 percent higher than in 1965. Under 12 programs accounting for 21 percent of the coverage, the advance was less than 5 percent. The remaining 26 States, with half the coverage, had increases ranging from 5.0-14.9 percent; nine of these reported increases of 10.0-14.9 percent.

The contrast with 1965 is striking. During that year, 88 percent of the covered labor force was concentrated in areas where benefit payments had increased less than 10 percent, including nine States with declines in benefit outlays. Only nine States registered advances of 10 percent or more (in two of them the increases were 15 percent or higher).

Thirty-eight States had benefit increases in 1966 that were greater than those of the preceding year; 14 jurisdictions reported a lower rate of increase. For half the 17 jurisdictions with a greater-than-average rate of growth from 1965 to 1966, the increase continued a rise that had been higher than the national average in the preceding year. Of the 20 States with increases of 10 percent or more, only Michigan and Maine had risen to a similar extent in 1965. Despite the acceleration in benefit payments, there were eight juris-

dictions in both 1965 and 1966 (District of Columbia, Idaho, Maryland, Nebraska, Nevada, Ohio, Vermont, and Wyoming) that reported no increase or increases of less than 5 percent.

## Cost Relationships

The cost of workmen's compensation continued to mount in 1966, reaching a new postwar high

Estimates of workmen's compensation payments, by State and type of insurance, 1966 and 1965 <sup>1</sup>

(In thousands)

State	1966				1965				Percentage change in total payments, 1966 from 1965
	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	\$1,975,018	\$1,257,311	\$454,114	\$263,593	\$1,785,025	\$1,124,055	\$424,486	\$236,484	10.6
Alabama	17,747	10,142		7,605	16,554	9,459		7,095	7.2
Alaska	4,138	3,858		280	3,780	3,510		250	10.1
Arizona	22,386	735	21,081	570	20,424	751	19,088	585	9.6
Arkansas	14,302	12,057		2,245	11,568	9,753		1,815	23.6
California	309,010	198,255	76,910	33,845	267,699	174,367	64,012	29,320	15.4
Colorado	16,717	4,548	10,649	1,520	15,297	4,650	9,257	1,390	9.3
Connecticut	24,010	22,090		1,920	19,415	17,800		1,555	23.7
Delaware	3,655	2,945		710	2,715	2,155		560	34.6
District of Columbia	6,696	6,211		485	6,397	6,007		390	4.7
Florida	58,793	51,937		6,856	54,726	48,429		6,297	7.4
Georgia	21,723	18,568		3,155	19,830	16,950		2,880	9.5
Hawaii	8,124	5,614		2,510	7,062	4,882		2,180	15.0
Idaho	5,861	3,861	1,460	540	5,821	3,811	1,450	560	.7
Illinois	100,264	84,179		16,085	86,981	73,026		13,955	15.3
Indiana	27,526	23,446		4,080	23,116	19,691		3,425	19.1
Iowa	13,917	11,132		2,785	12,155	9,725		2,430	14.5
Kansas	16,451	13,161		3,290	15,817	12,652		3,165	4.0
Kentucky	17,670	15,115		2,555	15,555	13,305		2,250	13.6
Louisiana	38,855	33,785		5,070	35,125	30,545		4,580	10.6
Maine	4,854	4,219		635	4,108	3,573		535	18.2
Maryland	27,183	21,056	2,547	3,580	26,563	20,459	2,626	3,478	2.3
Massachusetts	74,185	68,690		5,495	65,131	60,306		4,825	13.9
Michigan	98,253	67,905	4,658	25,690	69,799	46,670	4,879	18,250	40.8
Minnesota	30,388	26,198		4,190	27,638	23,828		3,810	10.0
Mississippi	12,929	11,949		980	11,814	10,919		895	9.4
Missouri	28,412	24,707		3,705	25,729	22,374		3,355	10.4
Montana	7,622	2,433	3,777	1,412	7,163	2,381	3,568	1,214	6.4
Nebraska	6,205	5,895		310	5,921	5,621		300	4.8
Nevada	6,909	29	6,725	155	6,831	29	6,647	155	1.1
New Hampshire	5,875	5,760		115	4,457	4,372		85	31.8
New Jersey	87,613	79,216		8,397	83,947	75,087		8,860	4.4
New Mexico	9,347	8,227		1,120	8,823	7,768		1,055	5.9
New York	212,007	132,085	53,887	26,035	197,439	124,452	48,742	24,245	7.4
North Carolina	21,085	17,990		3,095	20,611	17,586		3,025	2.3
North Dakota	3,903	34	3,869		3,721	9	3,712		4.9
Ohio	143,038	210	102,458	40,370	138,971	195	99,552	39,224	2.9
Oklahoma	21,773	17,875	2,558	1,340	20,079	16,140	2,704	1,235	8.4
Oregon	32,565	8,474	24,091		29,212	5,263	23,950		11.5
Pennsylvania	75,008	47,607	4,301	23,100	69,033	43,543	4,230	21,260	8.7
Rhode Island	7,387	6,987		400	7,455	7,055		400	-9
South Carolina	11,694	10,349		1,345	10,764	9,524		1,240	8.6
South Dakota	2,209	1,919		290	2,312	2,012		300	-4.5
Tennessee	22,770	20,660		2,110	20,737	18,817		1,920	9.8
Texas	94,667	94,667			89,147	89,147			6.2
Utah	6,206	2,035	3,136	1,035	4,978		2,981	830	24.7
Vermont	2,494	2,269		225	2,525	2,295		230	-1.2
Virginia	19,311	15,961		3,350	17,952	14,837		3,115	7.6
Washington	40,407	1,676	38,471	260	37,874	1,404	36,250	220	6.7
West Virginia	19,157	78	16,376	2,703	17,891	111	15,464	2,316	7.1
Wisconsin	34,509	28,464		6,045	30,976	25,551		5,425	11.4
Wyoming	2,033	48	1,985		1,953	42	1,911		4.1
Federal workmen's compensation:									
Civilian employees <sup>5</sup>	61,512		61,512		58,747		58,747		4.7
Other <sup>6</sup>	13,863		13,863		14,707		14,707		-7.1

<sup>1</sup> Data for 1966 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 1965 and 1966. 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.

<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.

of \$1.02 per \$100 of payroll in covered employment. The 1964 and 1965 ratio was \$1 per \$100.

Costs as defined here refer to the amounts spent by employers as premium payments to private insurance companies and State insurance funds or as self-insurance benefits (including administrative costs, estimated at 5–10 percent of self-insurance benefits). In 1966, these costs amounted to an estimated \$3,265 million and consisted of (1) \$2,365 million in premiums paid to private carriers; (2) \$618 million in premiums paid to State funds (for the Federal programs financed through congressional appropriations, these “premiums” are the sum of the benefit payments and the costs of the administrative agency); and (3) about \$280 million as the cost of self-insurance benefits and administration.

In absolute dollars, employers spent about \$355 million more in 1966 than in 1965 to insure or self-insure their work-injury risks. Despite the increase in costs, the proportion of such amounts paid out in medical and cash indemnity benefits during 1966 was approximately the same as in 1965—about 61 percent. 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) showed a drop from 54 percent in 1965 to 53 percent in 1966. The 1966 loss ratio was the lowest reported since 1955. A loss ratio based on losses incurred (which include amounts set aside to cover liabilities for future claim 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 1966—the same proportion as in 1965 and 1964.

The State funds (with the Federal program excluded) continued to experience a drop in the ratio of benefits paid to premiums—from 73 percent in 1964 to 71 percent in 1965 and to 70 percent in 1966.

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 reveal that dividends under private workmen's compensation policies in 1966 amounted to 4.8 percent of premiums in the District of Columbia and the 13 States reporting such data. In 1965 the ratio was 6.3 percent for

the 14 jurisdictions reporting. If the 1966 loss ratios mentioned above were adjusted to allow for dividends, they would be increased about three percentage points.

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## Social Security Numbers Issued, 1966\*

During 1966 more than 6.5 million social security account numbers were issued, and the total issued since the beginning of the program reached 170 million. The number issued in 1966 exceeded by nearly 400,000 the total for 1965, but was 2.1 million under the peak volume in 1963, when many account numbers were issued for income-tax purposes.

The impact of health insurance for the aged was reflected in the fact that 812,000 account numbers were issued during the year to persons aged 65 or over, 84 percent of them women. From July 1965 through June 1966—the Medicare enrollment period—1.4 million individuals aged 65 and over were issued account numbers. Only 168,000 numbers were issued to persons in this age group in the 6 months before and the 6 months after the enrollment period.

Many requests from public and private organizations have been received for social security account numbers for identification or record-keeping purposes. The largest single program authorized for such purposes was the Internal Revenue Service (IRS) taxpayer registration that began in 1962. Clearly, many account numbers continue to be issued for income-tax purposes. For example, about 790,000 account numbers were issued in 1966 to children under age 14, few of whom are in covered employment.

A few other programs for identification or recordkeeping purposes—on a much smaller scale—have been approved. One illustration is the issuance of social security numbers since 1963 to all students entering Florida secondary schools. Getting a social security number is for these students and others throughout the country a practical step since many enter the labor force

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