

wages jeopardize their assistance payment. As a wartime measure to increase the supply of agricultural workers and persons in the nursing service, the States were permitted under temporary legislation first enacted in 1943 to disregard earnings from agricultural labor in determining the need of certain old-age assistance recipients who were on the assistance rolls as of July 1943; a similar provision allowing the exemption of earnings as a nurse was included in the 1945 deficiency appropriation act. Both exemptions were due to expire July 1, 1947.

Exclusion of News Vendors Vetoed

A fourth bill (H. R. 3997) was vetoed by the President on August 6. The proposed legislation would have excluded from coverage under old-age and survivors insurance and the Federal Unemployment Tax Act services performed by newspaper and magazine vendors. The 1939 amendments had excluded "service performed by an individual under the age of 18 in the delivery of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution." The proposed legislation would have extended the exclusion to the services of an individual, of any age, in making sales of newspapers or magazines directly to the consumer at an established price, if the individual vendor's basic compensation "is the excess of such established price over the amount at which the newspapers or magazines are charged to him."

In *National Labor Relations Board v. Hearst Publications, Incorporated*, the Supreme Court in April 1944 held that such vendors making street sales at established spots and working full time for Hearst and other publishers in Los Angeles were employees of the newspapers for purposes of the National Labor Relations Act. On January 2, 1947, the District Court of the United States for the Northern District of California, Southern Division, in *Hearst Publications, Incorporated v. United States* and *The Chronicle Publishing Company v. United States*, held that such vendors engaged by the publishers to sell newspapers at particular street locations in San

Francisco were employees of the publishers for Federal employment tax purposes.

The Committee on Ways and Means, in reporting out the bill (H. Rept. 733), expressed the conviction that "the method of handling the retail sale of newspapers in many of our larger cities is peculiar, and your Committee does not believe that such services should be covered under the social security system where the basic method of compensation is that described."

Exclusion of these employees would have removed social security protection, the President said in explaining his veto, from men engaged in full-time jobs and with families, men "exposed to the same risks of loss of income from old age, premature death, or unemployment as are factory hands or day laborers." The measure, he stated, proceeds in "a direction which is exactly opposed to the one our Nation should pursue. It restricts and

narrows coverage, while our object should be to enlarge that coverage."

Mr. Truman answered the argument that publishers have difficulty keeping records and collecting the required contributions by pointing out that their situation does not differ from that of "many other employers of outside salesmen or, indeed, employers of other kinds of labor." The legislation would, he said, "invite other employers to seek exemptions wherever they can allege that the law is inconvenient or difficult for them to comply with. It would establish a precedent for special exemption and the exclusion of one group would lead to efforts to remove social security protection from workers in other activities. Demands for further special legislation would be inevitable. We must not open our social security structure to piecemeal attack and to slow undermining. We must, instead, devote our energies to expanding that system."

Insurance Payments to Survivors of the Texas City Disaster

By Robert J. Myers*

ON APRIL 16 a ship lying in the harbor just off Texas City, Texas, exploded. The flames spread to the city, and the resulting holocaust not only caused vast property damage but took the lives of about 575 persons. Many of the victims carried some type of private life insurance. More than half had sufficient wage credits under the Federal program of old-age and survivors insurance to ensure some protection to their survivors. In addition, many insurance claims were paid to injured persons under various forms of accident and health insurance and under workmen's compensation. This report summarizes briefly the insurance benefits, under both private insurance and old-age and survivors insurance, arising from loss of life in this disaster.

Private Insurance

The claims payable by all private insurance companies are estimated

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at a face value of between \$3 million and \$4 million for ordinary, industrial, and group insurance combined. The group insurance policies include both group life insurance and group accidental death and dismemberment insurance, which is a form of accident and health insurance. Workmen's compensation death benefits, included here because the insurance was carried with private insurance companies, will total more than \$1 million in present, or discounted, value. Although the claims involved many companies with individual, ordinary, and industrial life insurance policies, three companies had particularly heavy losses under group insurance cases.

The Metropolitan Life Insurance Company (New York) had group life and accidental death and dismemberment contracts with the Monsanto Chemical Company, which was the hardest hit of any large industrial plant in Texas City, and as a result had about 120 death claims. These

deaths were almost one-fifth of the total deaths in the entire catastrophe. In fact, about one-fourth of the Monsanto employees in the plant were killed. Since many of those who lost their lives were high-paid technicians and since group life insurance is related to the wages of the insured persons, the average face amount of these group insurance certificates, including the accidental death provisions, was around \$10,000. The total claims against the Metropolitan were therefore about \$1.1 million, or nearly one-third of the total insurance in force with the company in this plant (\$2 million of group life and \$1.75 million of group accidental death and dismemberment). It might be mentioned that over and above these group insurance benefits Monsanto paid \$1,000 to each widow.

The Metropolitan also had a few death claims in other group insurance cases, principally Union Carbide and Carbon Corporation and Texas Gulf Sulphur Company, and, of course, a number of claims were also filed under individual policies.

To ensure prompt handling of the claims, the Metropolitan and the other insurance companies who were considerably involved sent large staffs to the scene of the disaster. Likewise the Social Security Administration opened temporary emergency offices in Texas City. This action by the insurance companies did not mean, it should be noted, that the claims were necessarily paid immediately. Past experience has indicated that in many cases the immediate payment of a large lump sum is a great disservice to the distraught, and perhaps hysterical, beneficiary. Rather, the claims staffs got in touch with the beneficiaries and explained their rights, giving information about optional modes of settlement and suggesting that perhaps the best procedure would be to take a small immediate payment for emergency needs and defer making a decision as to the settlement of the balance until later, when monthly installments to supplement workmen's compensation and old-age and survivors insurance benefits might seem more desirable.

The Equitable Life Assurance Society (New York) had two group insurance contracts covering a number

of deaths; both contained the double indemnity feature for accidental death. One of the contracts was with the Republic Oil Refining Company, where there were 33 deaths, with total claims of \$310,000; the other was with the Pan-American Petroleum Corporation, where there were 12 deaths and \$101,000 in claims. In addition, the Equitable had 12 death claims under individual ordinary policies totaling \$232,745.

A fact of vital importance about group insurance was demonstrated very clearly in the disaster; most workers do not carry any substantial amount of individual insurance. Thus the \$411,000 paid out by the Equitable with respect to the 45 group insurance deaths contrasts sharply with the only \$63,000 paid out under all private insurance contracts with respect to the 31 deaths out of these 45 for which individual insurance was also carried. Moreover, \$20,000 of the \$63,000 was Government insurance held by veterans.

The Continental Casualty Company (Chicago) had a group insurance contract covering the volunteer firemen of Texas City which provided a benefit of \$3,000 for death while fighting a fire. There were 27 deaths under that contract and claims aggregating \$81,000. This policy had been taken out in March, and only the first premium of \$300 had been paid. This one case therefore meant a huge loss to the company.

Little information is available as to the workmen's compensation benefits payable. At the Monsanto Chemical Company, however, the workmen's compensation insurance was carried with the Liberty Mutual Insurance Company (Boston). The Liberty Mutual incurred death claim losses having a present value of \$1,035,000, though this underwriting loss was in large part covered by a reinsurance arrangement. It might be mentioned that the death benefits under the Texas workmen's compensation law are relatively restricted, amounting to 60 percent of the weekly wage, with a \$20 maximum benefit, and payable for only 7 years.

The Texas City experience would seem to confirm and reenforce the view of insurance companies that a surplus should be built up for the

group business so that funds are available for catastrophic losses, instead of returning practically all surplus earnings in dividends and rate credits. The disaster exemplifies the impossibility of a precise rating of risks. The Monsanto plant was completely modern, and since no special industrial hazards were involved the group policy had been issued on a standard rate basis without any occupational or other rating.

Old-Age and Survivors Insurance

The first survivor benefit check under the old-age and survivors insurance program was sent 11 days after the disaster to a young widow with three children aged 5, 4, and under 1. The amount of the primary benefit to which the wages of the insured worker gave rise was about \$33. Survivor benefits to the family, which are based on the primary benefit amount, will therefore total \$66 a month for 13 years, when the first child will become 18 years of age, and a lesser amount for the next 5 years; at age 65 the widow will receive about \$25 a month for the rest of her life if she has not remarried. Assuming that the children live to age 18 and do not marry before then, and that the widow lives to age 65 without remarrying and has a normal life expectancy thereafter, the total amount payable to the family would aggregate \$16,800. This figure further assumes that there is no withholding or suspension of benefits, either in whole or in part, because any of the beneficiaries work in covered employment for \$15 or more per month or because the widow becomes eligible for a primary benefit in her own right at age 65.

A special tabulation of claims arising from the Texas City disaster, made by the area offices of the Bureau of Old-Age and Survivors Insurance, shows that as of the middle of July claims for survivor benefits had been filed in connection with 303 deaths, somewhat more than half the 575 deaths recorded. Of these claims, benefits were awarded in 289 cases, 6 were disallowed, and 8 were still pending. In addition, about 30 cases were still pending in various field offices of the Bureau. Possibly claims with respect to another 60 deaths may be expected in the future,

as identification of bodies and informing the next of kin proceeds.

Of the 289 awards, immediate monthly benefits were payable in 183 cases, involving 492 beneficiaries, distributed by type of benefit as follows:

Type of benefit	Number of beneficiaries	Average age	Average monthly benefit
Aged widow's.....	1	65	\$30.83
Widow's current.....	155	32	24.39
Child's.....	334	7½	15.31
Parent's.....	2	68	16.21

The other 106 awards are for lump-sum payments, averaging \$183.58.

As would be expected in a new industrial development like Texas City, the workers involved were relatively young and had few aged survivors to qualify as beneficiaries. Of course, a sizable number of the younger beneficiaries, particularly widows, may become eligible later on for old-age benefits. If the deceased worker was fully insured, for example, his widow who now qualifies for widow's current benefits because she has young children in her care will be eligible for a widow's benefit at age 65 if she has not remarried. In many of the lump-sum benefit cases, also, monthly benefits will be payable to the widow or to eligible dependent parents when they reach age 65.

A comparison of the Texas City beneficiaries with all beneficiaries to whom awards were made in 1946 shows that the Texas City widows with children are about 8 years younger, on the average, while the child beneficiaries are on the average about 2½ years younger. On the other hand, the average monthly benefits for the Texas City beneficiaries are about 20 percent higher than the average 1946 awards.

From the data collected in the special survey, it is possible to estimate the total amount of survivor benefits that will be payable as a result of the Texas City disaster and also the present value of these benefits, assuming interest at 2 percent, for comparability with the insurance company figures presented earlier. If under an insurance contract a beneficiary elects to take payment in monthly installments, the total amount payable will exceed the face amount of the policy because of in-

terest earnings on the decreasing amount held by the company. It should be emphasized that for both the old-age and survivors insurance system and the insurance companies, the total amount of claims payments does not represent a complete loss. Insurance companies have accumulated certain reserves with respect to the particular policy (more specifically, for ordinary and industrial policies rather than for group policies) and also contingency surpluses. In old-age and survivors insurance the liability developed by the deaths of these workers is offset to some extent by the canceling of the deferred liability for old-age benefits.

The total amounts payable with respect to the 289 deaths in which awards were made and the present value of these amounts can be summarized as follows:

Type of benefit	Total payable	Present value
Total.....	\$1,250,000	\$1,050,000
Aged widow's, immediate.....	5,000	4,000
Aged widow's, deferred.....	203,000	88,000
Parent's, immediate.....	5,000	4,000
Widow's current.....	395,000	371,000
Child's.....	623,000	564,000
Lump-sum.....	19,000	19,000

These calculations take into account such factors as mortality, remarriage of widows, and the availability of deferred widow's benefits for widowed mothers and for childless widows who received lump sums. On the other hand, the estimates do not allow for withholding of or reduction in the benefits because of the beneficiary's covered employment or because a widow has a primary benefit in her own right—which may be important factors—or for the relatively negligible item of deferred monthly benefits for dependent parents who are under age 65 and eligible now only for lump sums. In effect, therefore, the figures represent the maximum potential benefits payable. If allowance were made for possible withholding or reduction of benefits, which would affect particularly widow's current benefits and deferred benefits of widows at age 65 and to a lesser extent child's benefits, the total amount payable might drop to about \$1 million, with a present value of about \$800,000.

As already indicated, the survey covered only the awards made through the middle of July. About 40 cases were still pending and perhaps 60 or more may be expected to be filed subsequently. Many in the latter group will be for lump sums rather than for monthly benefits, since it is likely that, if the next-of-kin had been survivor orphans, claims would have been filed relatively promptly. On the whole, the pending and unfilled claims might increase the aggregate figures about one-fourth.

It may therefore be said that the total maximum potential survivor benefits that may be payable in the future by the old-age and survivors insurance system to survivors of insured workers who were killed in the Texas City disaster will be about \$1.5 million, with a present value of about \$1.25 million. On the other hand, the aggregate amount that will actually be paid (after allowing for withholding of benefits because of covered employment and other reasons, and after allowing for the reduction or elimination of widow's benefits because of primary benefits based on such widows' earnings) may be about \$1.25 million, with a value now of \$1 million.

The Texas City disaster is a vivid example of the manner in which both the old-age and survivors insurance system and private insurance companies supplement each other in furnishing an appreciable measure of protection for the workers of the country against wage loss due to death. The aggregate amount that will actually be payable to the bereaved survivors of the workers will total considerably more than \$5 million and will probably be about \$6 million. In many instances the old-age and survivors insurance monthly benefits, plus the monthly installments from the insurance companies, if a settlement option is taken, plus the workmen's compensation benefits, will afford orphans and their widowed mothers a real degree of economic security. Undoubtedly, many of the deceased individuals were not covered by old-age and survivors insurance or a group insurance policy, and their survivors may be in dire need. For the community as a whole, however, these insurance programs have given real protection.