

# Notes and Brief Reports

## Workman's Compensation Payments and Costs, 1963\*

Paralleling the continuous but slower rate of increase in business activity, compensation payments and medical benefits under workmen's compensation programs rose 6.4 percent in 1963, compared with 7.9 percent in 1962. The total of \$1,561 million paid out under the State and Federal laws, however, was \$93 million more than the 1962 total—an increase that almost matched the record advance of \$107 million in 1962.

All the major economic factors that influence workmen's compensation operations showed less rapid rates of increase in 1963. The estimated number of workers covered by the workmen's compensation programs in an average week increased 1.8 percent to 46.0–46.2 million; in 1962 the increase had been about 2.9 percent. Average wages on which cash benefits are based rose about 3 percent from 1962 to 1963, compared with a gain of almost 4 percent in the preceding year. Hospital and medical care prices advanced 2.5 percent in 1963 and 2.6 percent in 1962, according to the consumer price index of the Bureau of Labor Statistics.

Operating as a neutral factor was the accident rate, which showed hardly any change in 1963. Consequently, the slight increase in the number of disabling work injuries—compensable and non-compensable—reported by the Bureau of Labor Statistics reflects in the main the higher level of employment. The number of such disabling work injuries was 2,020,000 in 1963; it had been less than 2 million for the previous 10 years.

A final factor contributing to the slowdown in the rate of increase in the benefit payments involves the effective dates of changes in State workmen's compensation laws. Although 22 States in 1963 raised maximum weekly benefits for the most common type of disability—temporary total—and 15 strengthened their medical provisions, the full force of these changes will not be felt

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until 1964. In 1962, only six States enacted legislation of this type, and these were the liberalizations reflected in 1963 data.

In keeping with the 5-percent rise in the gross national product, payrolls covered by workmen's compensation increased 4.9 percent—from an estimated \$234 billion in 1962 to \$246 billion in 1963. Aggregate benefit payments were equivalent to 0.63 percent of covered payroll in both years.

In 1963 as in the 3 preceding years, private insurance carriers were responsible for about 63 percent of all benefits paid, State insurance funds (with the Federal workmen's compensation programs included) for about 25 percent, and self-insurers for 12 percent. Since 1954 the only change in these proportions has been a slight increase in the share paid by private carriers and corresponding slight drops in the proportions paid by State funds and self-insurers.

About one-third of the \$1,561 million paid in benefits in 1963 went for hospitalization and other medical costs, and two-thirds for compensating the wage loss of injured or deceased workers. Of the \$1,041 million paid for the latter purpose, it is estimated that about \$125 million represented survivor benefits in death cases. The estimated distribution of benefit payments, by type, is shown in the following tabulation:

[In millions]

Type of payment	1963	1962
Total.....	\$1,561	\$1,467
Medical and hospitalization.....	520	490
Compensation, total.....	1,041	977
Disability.....	916	857
Survivor.....	125	120

For both 1962 and 1963, data on direct losses paid by private insurance companies had to be estimated for eight States that did not furnish such information.<sup>1</sup> For nine additional States, such data were available for 1962 but not 1963.<sup>2</sup> The payments for the States without data were estimated on the basis of the percentage changes from the preceding year in direct losses incurred, as reported by the National Council on Compensation Insurance.

<sup>1</sup> Connecticut, Idaho, Michigan, New Hampshire, North Carolina, Oklahoma, Tennessee, and Utah.

<sup>2</sup> Delaware, Georgia, Iowa, Maryland, Nevada, Pennsylvania, Rhode Island, Virginia, and West Virginia.

## STATE VARIATIONS IN BENEFIT PAYMENTS

Among the States, changes from 1962 to 1963 in the amount of benefit payments reflect the effect of various factors. These factors include

the relative growth in covered employment and wage levels, regional differences in the increased cost of medical services, the frequency and severity of compensable injuries, and State differences in statutory benefit provisions.

Estimates of workmen's compensation payments, by State and type of insurance, 1963 and 1962 <sup>1</sup>

(In thousands)

State	1963				1962				Percentage change in total payments, 1963 from 1962
	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.....	\$1,560,749	\$991,198	\$387,715	\$181,836	\$1,467,480	\$924,892	\$370,952	\$171,636	+6.4
Alabama.....	12,598	7,198		5,400	11,549	6,599		4,950	+9.1
Alaska.....	4,322	4,032		290	4,077	3,802		275	+6.0
Arizona.....	15,408	673	14,000	735	14,640	530	13,533	577	+5.2
Arkansas.....	9,926	8,136		1,790	9,214	7,554		1,660	+7.7
California.....	226,691	147,035	56,566	23,090	201,844	130,313	50,971	20,560	+12.3
Colorado.....	14,089	4,676	8,133	1,280	12,999	4,098	7,721	1,180	+8.4
Connecticut.....	20,789	18,709		2,080	16,930	15,235		1,695	+22.8
Delaware.....	2,824	2,269		555	2,661	2,141		520	+6.1
District of Columbia.....	7,164	6,604		560	5,761	5,346		415	+24.4
Florida.....	44,273	40,248		4,025	39,058	35,508		3,550	+13.4
Georgia.....	16,826	14,381		2,445	14,009	11,974		2,035	+20.1
Hawaii.....	5,391	4,091		1,300	5,178	3,928		1,250	+4.1
Idaho.....	5,683	3,806	1,307	570	4,794	3,100	1,209	485	+18.5
Illinois.....	78,410	65,130		13,280	75,699	62,877		12,822	+3.6
Indiana.....	22,300	18,995		3,305	22,705	19,340		3,365	+1.8
Iowa.....	11,699	9,359		2,340	9,855	7,885		1,970	+18.7
Kansas.....	14,480	11,585		2,895	14,573	11,058		2,915	-6
Kentucky.....	14,509	10,894		3,615	13,918	10,448		3,470	-4.2
Louisiana.....	30,217	26,277		3,940	26,917	23,407		3,510	+12.3
Maine.....	3,490	3,035		455	3,434	2,984		450	+1.6
Maryland.....	24,962	18,929	3,098	2,935	22,330	16,489	3,221	2,620	+11.8
Massachusetts.....	57,299	53,054		4,245	54,333	50,308		4,025	+5.5
Michigan.....	56,533	37,495	4,358	14,680	55,247	37,123	4,084	14,040	+2.3
Minnesota.....	25,381	21,881		3,500	24,323	20,968		3,355	+4.3
Mississippi.....	10,210	9,433		775	9,348	8,638		710	+9.2
Missouri.....	24,366	21,076		3,290	25,054	21,674		3,380	-2.7
Montana.....	6,094	2,014	3,099	981	6,000	1,728	3,246	1,026	+1.6
Nebraska.....	4,909	4,769		140	4,913	4,783		135	-2
Nevada.....	5,843	10	5,553	280	5,131	10	4,876	245	+13.9
New Hampshire.....	4,701	4,606		95	4,010	3,930		80	+7.2
New Jersey.....	71,372	64,649		6,723	65,642	59,031		6,611	+8.7
New Mexico.....	8,694	7,654		1,040	8,479	7,464		1,015	+2.5
New York.....	182,874	114,753	46,273	21,848	180,014	112,316	46,192	21,506	+1.6
North Carolina.....	17,550	14,760		2,790	16,040	13,490		2,550	+9.4
North Dakota.....	3,103	7	3,096		2,897	4	2,893		+7.1
Ohio.....	105,888	232	91,859	13,777	105,244	138	91,401	13,705	+6
Oklahoma.....	17,195	13,776	2,164	1,255	16,397	13,070	2,127	1,200	+4.9
Oregon.....	28,879	2,997	25,882		27,637	2,671	24,966		+4.5
Pennsylvania.....	56,890	36,548	5,592	14,750	54,901	36,294	4,372	14,235	+3.6
Rhode Island.....	7,163	6,778		385	6,857	6,487		370	+4.5
South Carolina.....	9,617	8,292		1,325	9,073	7,823		1,250	+6.0
South Dakota.....	1,853	1,613		240	2,046	1,781		265	-9.4
Tennessee.....	16,467	14,942		1,525	15,653	14,203		1,450	+5.2
Texas.....	81,692	81,692			78,658	78,658			+3.9
Utah.....	5,189	1,571	2,753	865	5,429	1,951	2,573	905	-4.4
Vermont.....	2,857	2,597		260	2,159	1,964		195	+32.3
Virginia.....	17,956	14,841		3,115	14,730	12,175		2,555	+21.9
Washington.....	31,427	1,063	30,134	230	29,497	877	28,390	230	+6.5
West Virginia.....	16,525	400	13,923	2,202	15,662	214	13,388	2,060	+5.5
Wisconsin.....	26,245	21,610		4,635	24,150	19,886		4,264	+8.7
Wyoming.....	1,812	21	1,791		1,811	17	1,794		+1
Federal workmen's compensation:									
Civilian employees <sup>5</sup> .....	52,319		52,319		47,309		47,309		+10.6
Other <sup>6</sup> .....	15,815		15,815		16,686		16,686		-5.2

<sup>1</sup> Data for 1963 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 1962 and 1963. 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.

In general, the State distribution of percentage changes in benefit payments during 1963 showed striking similarities to that of the preceding year. The changes in 1963 ranged from an increase of 32 percent in Vermont to a decrease of 9 percent in South Dakota. For 1962 the corresponding range was almost the same—from a rise of 29 percent in Utah to a drop of 12 percent in New Mexico.

Six percent of the covered employment in both 1962 and 1963 was in States that reported declines in benefit payments. All but one of the six States reporting declines in 1963 were located in the Middle West. One of these—Nebraska—was also among the seven States that reported a drop in benefit payments in 1962.

Eight jurisdictions in 1963 (accounting for 7 percent of the coverage) and seven jurisdictions in 1962 (accounting for 6 percent) reported increases in benefit payments of 15 percent or more. The group included two jurisdictions—the District of Columbia and Georgia—in both years.

Six jurisdictions in both 1962 and 1963 experienced increases in their total benefit payments that ranged from 10.0 percent to 14.9 percent. These systems accounted for 24 percent of the coverage in 1963 and 20 percent in 1962. For three of the States in the 1963 group—California, Florida, and Nevada—the percentage increase was a continuation of a rise that had been greater than the national increase during the preceding year.

The year's greatest change took place in the category of States with increases of less than 10 percent. More jurisdictions in 1963 than in 1962 reported small increases. In 1963, almost half (46 percent) of the covered labor force was concentrated in the 16 States that reported benefit increases of 0.1–4.9 percent, and one-fifth was located in the 16 States with increases of 5.0–9.9 percent. In contrast, increases of less than 5 percent were reported in 1962 for only one-fifth (21 percent) of the covered workers in 10 jurisdictions, and the group having increases of 5.0–9.9 percent included 22 States with 44 percent of the workers in covered employment.

Regionally, the smallest percentage increases in 1963 were registered in the industrial and farm States of the Middle West and Appalachia. The greatest relative advances took place in States along the Atlantic seaboard and the Far West.

## COST RELATIONSHIPS

The costs of workmen's compensation rose from 98 cents per \$100 of covered payroll in 1961 to \$1 per \$100 in 1963—a new postwar high. This increase continues the upward trend that first manifested itself in 1960, after 5 years in which costs had leveled off at 91–92 cents 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 1963, these costs amounted to an estimated \$2,465 million, consisting of (1) \$1,765 million in premiums paid to private carriers; (2) \$504 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 \$195 million as the cost of self-insurance benefits and administration.

In absolute dollars, employers spent about \$165 million more in 1963 than in 1962 to insure or self-insure their work-injury risks. Since this increase was relatively greater than the increase in amounts expended for cash indemnity and medical benefits, the proportion of the premium dollar that reached the injured worker dropped from 64 percent in 1962 to 63 percent in 1963. The ratio was also 63 percent in 1960 and 1961.

For private carriers alone, the ratio of direct losses paid to direct premiums written was 56 percent—a proportion unchanged since 1960. A loss ratio based on losses incurred (which includes 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 amounted to 64 percent of net premiums earned in 1963, 63 percent in 1962, and 65 percent in 1961.

The State funds (with the Federal fund excluded) show the most variation in the ratio of benefits paid to premiums. In 1962 this ratio hit a postwar peak of 78 percent. In 1963 the ratio dropped 4 percentage points to 74 percent, even less than the 1961 ratio of 75 percent. The loss ratios for private carriers and, to some extent, for State funds do not take into account the amount of premium income that is returned to employers in the form of dividends.