

Notes and Brief Reports

Workmen's Compensation Payments and Costs, 1962*

Cash payments for wage loss and medical benefits under workmen's compensation programs amounted to \$1,465 million in 1962. Not only was this amount a record high, but the 1962 increase of \$104 million was the largest rise recorded for any year. The percentage increase in 1962 (7.7 percent) was not much greater, however, than the annual average for the past decade (6.5 percent), and it was less than that for the postwar period 1946-52 (9.8 percent).

A combination of factors contributed to the rise. Average wages, to which cash benefits are related, increased almost 4 percent from 1961 to 1962. The cost of hospital and medical care services advanced 2.6 percent, according to the consumer price index of the Bureau of Labor Statistics. At the same time, a pickup in employment, accompanied by a slight increase in the accident rate, produced a 3-percent rise in the number of disabling work injuries—compensable and noncompensable—reported by the Bureau of Labor Statistics.

Finally, there was the effect of liberalization of State workmen's compensation benefit provisions. Although only six States enacted legislation increasing maximum weekly benefits for disability in 1962, 23 States and the District of Columbia had increased their cash or medical benefits in 1961 and in most of these States the full force of the liberalizing amendments was first felt in 1962. At the end of the year, 16 jurisdictions were paying a weekly maximum for temporary total disability of \$55 or more, 16 were paying \$40-\$54, and 20 were paying less than \$40.

The number of workers covered by workmen's compensation programs in an average week of 1962 is estimated at 45.2-45.4 million, roughly 1.4 million more than in the preceding year. This expansion in coverage plus higher wage rates resulted in an increase of 6.8 percent in the covered

*Prepared in the Division 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 December or January issues of the *Bulletin*.

payroll—from an estimated \$219 billion in 1961 to \$234 billion in 1962. Aggregate benefit payments were equivalent to 0.63 percent of covered payroll—a new postwar peak, surpassing the previous high of 0.62 percent in 1961.

As in the 2 preceding years, private insurance carriers were responsible for 63 percent of all benefits paid out in 1962, State insurance funds (including the Federal workmen's compensation programs) for 25 percent, and self-insurers for 12 percent. Since 1956 the only change in these proportions has been a slight increase in the share paid by private carriers and a correspondingly slight drop in the proportion paid by the State funds.

Of the total (\$1,465 million) expended in total benefits in 1962, about one-third or \$495 million is estimated to consist of hospital or medical benefits. The remaining two-thirds was disbursed mainly as cash compensation for wage loss resulting from nonfatal disabilities of all kinds. Benefits to survivors of workers killed as the result of injury on the job amounted to an estimated \$120 million. The estimated distribution of benefit payments, by type, is shown in the following tabulation.

(In millions)

| Type of payment | 1962 | 1961 |
|----------------------------------|---------|---------|
| Total..... | \$1,465 | \$1,361 |
| Medical and hospitalization..... | 495 | 460 |
| Compensation, total..... | 970 | 901 |
| Disability..... | 850 | 791 |
| Survivor..... | 120 | 110 |

For both 1961 and 1962, data on direct losses paid by private insurance companies had to be estimated for nine States that did not furnish such information.¹ For seven additional States, such data were available for 1961 but not 1962.² 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. This method generally overstates slightly the amount of actual payments made during the year.

¹ Connecticut, Idaho, New Hampshire, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, and Utah.

² Hawaii, Iowa, Kansas, Louisiana, Maine, Michigan, and South Dakota.

STATE VARIATION IN BENEFIT PAYMENTS

Year-to-year changes in the level of benefit payments vary considerably among the States, reflecting such factors as relative growth in covered employment and wage levels, regional differences in the costs of medical services, the frequency and severity of compensable injuries, and State differences in statutory benefit provisions.

The range among the States was unusually great in 1962. Eight jurisdictions showed increases in benefit payments of 15 percent or more at the same time that 10 States showed declines. In 1961, while nine jurisdictions had increases of 15 percent or more, only four had decreases. In 1960, eight States had increases of that magnitude, and six had declines. In fact, 1962 was the first year since 1954 that as many as 10 States showed a drop in benefit payments.

A sharply different picture is seen, however, when the data are analyzed in terms of covered employment. Only 8 percent of the covered workers in 1962 were in the States reporting declines, compared with 13 percent in 1961 and 16 percent in 1960. Similarly, only 6 percent of the 1962 coverage was in States where payments increased 15 percent or more, compared with 14 percent in 1961 and 19 percent in 1960. California and New York were mainly responsible for this situation. In both 1960 and 1961, but not in 1962, California was included among the States with advances of 15 percent or more and New York among the States with declines.

The greatest number of States (21) reported increases of 5.0-9.9 percent from 1961 to 1962. These States accounted for 44 percent of the covered workers. Six States and the Federal program for civilian employees, with 18 percent of the coverage, had increases of less than 5 percent. By way of contrast, in 1961, increases of less than 5 percent were reported in the greatest number of States (21) with the largest proportion of coverage (43 percent), while the group having increases of 5.0-9.9 percent included 12 States and the Federal program, with 26 percent of the workers in covered employment.

The remaining States—six in 1962 and five in 1961—registered increases of 10.0-14.9 percent. In terms of covered employment, however, these States accounted for 24 percent of the workers in 1962 and 4 percent in the earlier year.

For half the 24 jurisdictions that had greater-than-average increases from 1961 to 1962, the increase was a continuation of a rise that had been greater than the national increase during the preceding year. Of the 14 that had increases of 10 percent or more, six had increases of similar proportions in 1961 (Arkansas, California, Delaware, the District of Columbia, South Dakota, and Utah). California and South Dakota also registered increases of 10 percent or more in 1960. Of the 10 States that showed declines in 1962, two (Connecticut and Maine) also reported drops in 1961 and two (Idaho and Iowa) reported rises of less than 5 percent in that year.

Regionally, States of the Far West and the Middle Atlantic showed the greatest increases in 1962, with the smallest increases taking place in the Plains States. In 1961, in contrast, the Middle Atlantic States recorded below-average increases and the Plains States recorded above-average increases.

COST RELATIONSHIPS

The cost of workmen's compensation to employers continued to rise in 1962 as a percentage of covered payroll. After leveling off at 91-92 cents per \$100 of covered payroll during the 5-year period 1955-59, costs rose to 95 cents in 1960, 98 cents in 1961, and 99 cents in 1962. The latter figure is a new high for the years since World War II.

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 1962 these costs amounted to an estimated \$2,320 million, consisting of (1) \$1,670 million in premiums paid to private carriers; (2) \$465 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) \$185 million as the cost of self-insurance benefits and administration. In 1961, employers spent about \$2,140 million or about \$180 million less than in 1962 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 1962 was approximately the same as in 1961—about 63 percent. For pri-

vate carriers alone, the ratio of direct losses paid to direct premiums written—55 percent—was also unchanged from 1961. A loss ratio based on losses incurred (which include amounts set aside to

Estimates of workmen's compensation payments, by State and type of insurance, 1962 and 1961¹

[In thousands]

| State | 1962 | | | | 1961 | | | | Percentage change in total payments, 1962 from 1961 |
|---------------------------------------|-------------|--|---------------------------------------|--------------------------------------|-------------|--|---------------------------------------|--------------------------------------|---|
| | 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..... | \$1,465,200 | \$923,550 | \$370,949 | \$170,701 | \$1,360,554 | \$852,786 | \$347,437 | \$160,331 | +7.7 |
| Alabama..... | 11,549 | 6,599 | ----- | 4,950 | 10,546 | 6,026 | ----- | 4,520 | +9.5 |
| Alaska..... | 4,077 | 3,802 | ----- | 275 | 3,201 | 2,986 | ----- | 215 | +27.4 |
| Arizona..... | 14,607 | 530 | 13,500 | 577 | 13,540 | 430 | 12,718 | 392 | +7.9 |
| Arkansas..... | 9,214 | 7,554 | ----- | 1,660 | 8,372 | 6,862 | ----- | 1,510 | +10.1 |
| California..... | 201,824 | 130,313 | 50,971 | 20,540 | 177,649 | 115,756 | 43,813 | 18,080 | +13.6 |
| Colorado..... | 12,999 | 4,098 | 7,721 | 1,180 | 12,276 | 3,960 | 7,201 | 1,115 | +5.9 |
| Connecticut..... | 16,930 | 15,235 | ----- | 1,695 | 18,518 | 16,668 | ----- | 1,850 | -8.6 |
| Delaware..... | 2,661 | 2,141 | ----- | 520 | 2,293 | 1,843 | ----- | 450 | +16.0 |
| District of Columbia..... | 5,761 | 5,346 | ----- | 415 | 4,970 | 4,630 | ----- | 340 | +15.9 |
| Florida..... | 39,058 | 35,508 | ----- | 3,550 | 34,699 | 31,544 | ----- | 3,155 | +12.6 |
| Georgia..... | 14,009 | 11,974 | ----- | 2,035 | 11,680 | 9,985 | ----- | 1,695 | +19.9 |
| Hawaii..... | 4,100 | 3,110 | ----- | 990 | 4,811 | 3,650 | ----- | 1,161 | -14.8 |
| Idaho..... | 4,794 | 3,100 | 1,209 | 485 | 5,164 | 3,421 | 1,203 | 540 | -7.1 |
| Illinois..... | 75,699 | 62,877 | ----- | 12,822 | 68,497 | 55,858 | ----- | 12,639 | +10.5 |
| Indiana..... | 22,705 | 19,340 | ----- | 3,365 | 18,801 | 16,016 | ----- | 2,785 | +20.8 |
| Iowa..... | 8,406 | 6,726 | ----- | 1,680 | 9,508 | 7,608 | ----- | 1,900 | -11.6 |
| Kansas..... | 14,770 | 11,815 | ----- | 2,955 | 13,575 | 10,860 | ----- | 2,715 | +8.8 |
| Kentucky..... | 13,918 | 10,448 | ----- | 3,470 | 12,250 | 9,195 | ----- | 3,055 | +13.6 |
| Louisiana..... | 28,025 | 24,370 | ----- | 3,655 | 26,463 | 23,013 | ----- | 3,450 | +5.9 |
| Maine..... | 3,139 | 2,729 | ----- | 410 | 3,435 | 2,985 | ----- | 450 | -8.6 |
| Maryland..... | 22,330 | 16,489 | 3,221 | 2,620 | 21,636 | 16,009 | 2,729 | 2,898 | +3.2 |
| Massachusetts..... | 54,333 | 50,308 | ----- | 4,025 | 49,102 | 45,467 | ----- | 3,635 | +10.7 |
| Michigan..... | 55,287 | 37,123 | 4,114 | 14,050 | 53,503 | 36,467 | 3,651 | 13,385 | +3.3 |
| Minnesota..... | 24,323 | 20,968 | ----- | 3,355 | 22,451 | 19,356 | ----- | 3,095 | +8.3 |
| Mississippi..... | 9,348 | 8,638 | ----- | 710 | 8,794 | 8,129 | ----- | 665 | +6.3 |
| Missouri..... | 25,054 | 21,674 | ----- | 3,380 | 23,688 | 20,888 | ----- | 2,800 | +5.8 |
| Montana..... | 5,999 | 1,727 | 3,246 | 1,026 | 5,660 | 1,452 | 3,069 | 1,139 | +6.0 |
| Nebraska..... | 4,908 | 4,783 | ----- | 125 | 5,316 | 5,181 | ----- | 135 | -7.7 |
| Nevada..... | 5,131 | 10 | 4,876 | 245 | 4,451 | 24 | 4,217 | 210 | +15.3 |
| New Hampshire..... | 4,010 | 3,930 | ----- | 80 | 4,034 | 3,954 | ----- | 80 | -6 |
| New Jersey..... | 65,111 | 59,031 | ----- | 6,080 | 60,488 | 54,104 | ----- | 6,384 | +7.6 |
| New Mexico..... | 8,588 | 7,558 | ----- | 1,030 | 9,595 | 8,445 | ----- | 1,150 | -10.5 |
| New York..... | 180,014 | 112,316 | 46,192 | 21,506 | 164,041 | 101,372 | 42,816 | 19,853 | +9.7 |
| North Carolina..... | 16,040 | 13,490 | ----- | 2,550 | 16,957 | 14,142 | ----- | 2,815 | -5.4 |
| North Dakota..... | 2,897 | 4 | 2,893 | ----- | 6 | ----- | 2,712 | ----- | +6.6 |
| Ohio..... | 105,243 | 137 | 91,401 | 13,705 | 101,795 | 79 | 88,449 | 13,267 | +3.4 |
| Oklahoma..... | 16,397 | 13,070 | 2,127 | 1,200 | 15,399 | 12,508 | 1,766 | 1,125 | +6.5 |
| Oregon..... | 27,637 | 2,671 | 24,966 | ----- | 27,015 | 3,020 | 23,995 | ----- | +2.3 |
| Pennsylvania..... | 54,901 | 36,294 | 4,372 | 14,235 | 50,563 | 33,465 | 3,988 | 13,110 | +8.6 |
| Rhode Island..... | 6,857 | 6,487 | ----- | 370 | 6,477 | 6,127 | ----- | 350 | +5.9 |
| South Carolina..... | 8,521 | 7,346 | ----- | 1,175 | 8,329 | 7,119 | ----- | 1,210 | +2.3 |
| South Dakota..... | 3,335 | 2,900 | ----- | 435 | 2,735 | 2,320 | ----- | 415 | +21.9 |
| Tennessee..... | 14,589 | 13,239 | ----- | 1,350 | 15,181 | 13,776 | ----- | 1,405 | -3.9 |
| Texas..... | 78,658 | 78,658 | ----- | ----- | 72,617 | 72,617 | ----- | ----- | +8.3 |
| Utah..... | 5,429 | 1,951 | 2,573 | 905 | 4,209 | 1,358 | 2,151 | 700 | +29.0 |
| Vermont..... | 2,159 | 1,964 | ----- | 195 | 2,016 | 1,831 | ----- | 185 | +7.1 |
| Virginia..... | 14,730 | 12,175 | ----- | 2,555 | 13,432 | 11,102 | ----- | 2,330 | +9.7 |
| Washington..... | 29,497 | 877 | 28,390 | 230 | 27,281 | 783 | 26,268 | 230 | +8.1 |
| West Virginia..... | 15,662 | 214 | 13,388 | 2,060 | 14,615 | 67 | 12,742 | 1,806 | +7.2 |
| Wisconsin..... | 24,161 | 19,886 | ----- | 4,275 | 22,246 | 18,309 | ----- | 3,937 | +8.6 |
| Wyoming..... | 1,811 | 17 | 1,794 | ----- | 1,786 | 13 | 1,773 | ----- | +1.4 |
| Federal workmen's compensation: | | | | | | | | | |
| Civilian employees ⁵ | 47,309 | ----- | 47,309 | ----- | 45,279 | ----- | 45,279 | ----- | +4.5 |
| Other ⁶ | 16,686 | ----- | 16,686 | ----- | 16,897 | ----- | 16,897 | ----- | -1.2 |

¹ Data for 1962 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 1961 and 1962. 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 State insurance commissions, except in a few States where estimates are based on percentage changes from preceding year 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.

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 1962—a drop of two percentage points from 1961.

In contrast to the experience of private carriers, the State funds (with the Federal fund excluded) showed a rise in the ratio of benefits paid to premiums—from 77 percent in 1961 to a new postwar high of 78 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.

Railroad Retirement Act as Amended in 1963*

On October 5, 1963, President Kennedy signed Public Law 88-133 amending the Railroad Retirement Act and the Railroad Unemployment Insurance Act. The changes in the Railroad Retirement Act are summarized in the following paragraphs, and the principal provisions of the law as amended are outlined in the accompanying chart.¹ The purpose of the amendments is to improve the financing of the railroad retirement program, which has had an actuarial deficiency computed as 1.79 percent of taxable payroll. It

*Prepared by Marice C. Hart, Division of the Actuary.

¹ For a brief summary of the provisions amending the railroad unemployment insurance program, see page 20.

is estimated that the new provisions will reduce the deficiency to 0.34 percent and cut the annual deficit (on a level basis) from \$77 million to \$16 million.

In signing the bill President Kennedy stated that, though it carries out his 1961 request for legislation to put the railroad retirement and the railroad unemployment insurance systems in sound financial condition, he considered undesirable the “provisions in the bill providing a 3-percent guaranteed return of the retirement fund’s investments, and requiring the immediate investment of the fund’s assets at a rate of interest substantially higher than now being paid.” During congressional consideration of the measure, he went on to say, “the point was stressed that those special provisions developed in the legislation for the railroad industry were not applicable to the other retirement systems and were not to be regarded as a precedent.”

MAXIMUM TAXABLE COMPENSATION

Beginning in November 1963, the maximum compensation taxable and creditable toward benefits is increased from \$400 a month to \$450. No change is made in the rate of contribution (14½ percent for 1963 and 1964), which is paid half by employer and half by employee. For 1965 and thereafter, the tax rate is to be determined by increasing the preceding year’s rate by the number of percentage points that the combined employer-employee tax rate under old-age, survivors, and disability insurance exceeds 5½

TABLE 1.—Illustrative monthly retirement annuities under the Railroad Retirement Act, as amended in 1963

| Average monthly compensation | 10 years of service | | | | 20 years of service | | 30 years of service | | 40 years of service ³ | |
|------------------------------|---|--|----------------------------------|--|----------------------|--|---------------------|--|----------------------------------|--|
| | Minimum guarantee applicable ¹ | | Minimum guarantee not applicable | | Retired worker only | Retired worker and spouse ² | Retired worker only | Retired worker and spouse ² | Retired worker only | Retired worker and spouse ² |
| | Retired worker only | Retired worker and spouse ² | Retired worker only | Retired worker and spouse ² | | | | | | |
| \$100..... | \$64.90 | \$97.40 | ⁴ \$50.00 | ⁴ \$75.00 | ⁴ \$83.50 | ⁴ \$125.30 | \$87.90 | \$131.90 | \$117.20 | \$175.80 |
| 150..... | 80.30 | 120.50 | ⁴ 50.00 | ⁴ 75.00 | 83.70 | 125.60 | 125.60 | 188.40 | 167.40 | 237.30 |
| 200..... | 92.40 | 138.60 | 50.20 | 75.30 | 100.40 | 150.60 | 150.60 | 220.50 | 200.80 | 270.70 |
| 250..... | 104.50 | 156.80 | 58.60 | 87.90 | 117.10 | 175.70 | 175.70 | 245.60 | 234.20 | 304.10 |
| 300..... | 115.50 | 173.30 | 66.90 | 100.40 | 133.80 | 200.70 | 200.70 | 270.60 | 267.60 | 337.50 |
| 350..... | 127.60 | 191.40 | 75.30 | 113.00 | 150.50 | 220.40 | 225.80 | 295.70 | 301.00 | 370.90 |
| 400 ⁵ | 139.70 | 209.60 | 83.60 | 125.40 | 167.20 | 237.10 | 250.80 | 320.70 | 334.40 | 404.30 |
| 450 ⁶ | 139.70 | 209.60 | 92.00 | 136.50 | 183.90 | 253.80 | 275.90 | 345.80 | 367.80 | 437.70 |

¹ OASDI average monthly wage assumed to be the same as the average monthly compensation shown, to maximum of \$400.

² Spouse assumed to be aged at least 65.

³ Not payable until 1977.

⁴ Railroad retirement minimum.

⁵ All service must be after May 1959.

⁶ All service must be after October 1963.