

M I N U T E S

SPECIAL COMMITTEE ON LABOR AND INDUSTRY

August 17 and 18, 1977

Members Present

Representative Eugene F. Gastl, Chairman
Senator John Vermillion, Vice-Chairman
Senator Don Allegrucci
Senator Paul Feleciano, Jr.
Senator Bill Morris
Representative Denny Burgess
Representative Samuel Sifers
Representative John Sutter
Representative Darrell Webb
Representative Lynn Whiteside
Representative Bill Wisdom

Staff Present

Mike Heim, Kansas Legislative Research Department
Sherman Parks, Revisor of Statutes Office

Conferees and Others Present

Mrs. A. James King, Kings X, Inc., Wichita
A.J. King, Kings X, Inc., Wichita
Jack Pearson, Kansas Association of Commerce and Industry
Hamp Fairleigh, Department of Human Resources
Bill Douglas, League of Kansas Municipalities
Bill Huntley, Beech Aircraft
Bill Abbott, The Boeing Company
E.N. Maxwell, Department of Human Resources
C.L. Mudge, Department of Human Resources
William H. Layes, Department of Human Resources
Karl L. Losey, Department of Human Resources
Bill Clawson, Department of Human Resources
Norma Salava, Department of Human Resources
David Brasher, National Federation of Independent Businesses
Dennis Williams, Division of Budget
James O. Foster, Wichita Area Chamber of Commerce
Mike Mullin, Kansas Insurance Department
Ralph McGee, AFL-CIO
Jerry Edge, United Auto Workers
R.J. Soptic, United Auto Workers
D.E. Watkins, United Auto Workers
Glenn Adams, American Association of State Compensation Insurance Funds
Leslie Thompson, United States Department of Labor
J. Kurtiss Carlson, Kansas Insurance Department
Tim Brazil, Kansas Insurance Department
Bryce Moore, Division of Workers' Compensation
Ray Rathert, Kansas Insurance Department
Bill Sneed, Kansas Insurance Department
L.M. Cornish, Kansas Association of Property and Casualty Insurance Companies
Don Lee, Alliance Insurance Companies
Jeff Wampler, Kansas Farm Bureau

August 17, 1977

The meeting was called to order by Representative Eugene Gastl, Chairperson, at 10:00 a.m.

Mr. A. James King of the Wichita Kings X Restaurants said that he was concerned about his unemployment tax rate which has tripled over the past year. He said the number of employer rate groups that are now paying the maximum 3.6 percent rate has steadily increased since 1974 when employers in four rate groups paid the maximum rate. Now employers in seven rate groups must pay the maximum. He noted that with the zero rate group there are now eight rate groups (out of 21) representing 38 percent of all the taxable payroll whose rates not reflect their unemployment experience. Mr. King said his tax liability in 1976 was \$4,976 and has been raised to \$15,896 in 1977. He suggested that the zero rate be eliminated; that the current maximum rate be raised or eliminated and that employers be allowed to make payments to reduce or maintain their previous unemployment tax rates. A copy of Mr. King's statement is attached. (Attachment I)

Mr. Ernie Maxwell of the Kansas Department of Human Resources in response to a question, said there would be no significant impact if the zero rate group was eliminated but that there would be considerable impact if the maximum rate was eliminated. He said the present system could accomodate a plan whereby an employer would make payments to reduce his rate, however, if a number of employers took advantage of such a provision, this would affect the rates of the remaining employers.

Mr. Jack Pearson of the Kansas Association of Commerce and Industry, suggested the Employment Security Law should be amended to provide a social security and pension offset (if the employer contributed to the pension plan), to deny benefits to those who voluntarily quit a job and to deny or reduce benefits for those discharged for misconduct. A copy of Mr. Pearson's statement is attached (Attachment II).

Mr. Bill Abbott of the Boeing Company of Wichita said his firm basically supported the Kansas Employment Security Law. He suggested that the law be amended to deny benefits to those who voluntarily quit a job and to require employees to keep a record of their job-hunting activities. Mr. Abbott noted Boeing was paying the maximum 3.6 percent rate. In response to a question, Mr. Abbott said there was considerable incentive for a business to try and avoid paying the maximum rate by providing more stable employment since the employment tax represented a sizeable amount of money. (A copy of his statement is attached (Attachment III)).

Mr. Ralph McGee of the Kansas State Federation of Labor suggested the one-week waiting period be eliminated from the Employment Security Law. A copy of his statement is attached (Attachment IV).

Mr. Bill Douglas of the League of Kansas Municipalities said local units of government have three options under the 1977 legislation -- to become a contributing employer, a reimbursing employer or rated government employer. He said governmental units do not have to pay for the administrative costs of the Act (FUTA tax) like private employers do. Mr. Douglas said the League would support amendments to the law to bar persons who voluntarily quit a job from collecting unemployment benefits. He noted that the League had recently written a letter to Dr. James McCain of the Department of Human Resources asking that local governments be represented on the Employment Security Advisory Council.

Afternoon Session

Mr. David Brasher of the National Federation of Independent Businesses said Iowa recently enacted legislation modeled after the Kansas law in regard to financing unemployment insurance costs. He noted that Iowa has eliminated the waiting week requirement but has also barred persons who voluntarily quit a job from collecting unemployment benefits. Iowa employee benefits and the wage base upon which taxes are levied are based on a maximum of two-thirds of the state's average weekly wage. Mr. Brasher said he would provide a copy of the Iowa law to the Committee staff.

Mr. R.J. Soptic of the United Auto Workers Union of Kansas City said the waiting week requirement should be eliminated. He said the Auto Workers were not represented on the Employment Security Advisory Council since his union was not a member of the AFL-CIO. Mr. Soptic said the Auto Workers were not willing to compromise by supporting a suggestion that the waiting week be eliminated and benefits be denied for persons who voluntarily quit a job. He noted the Auto Workers were conducting a nationwide survey to determine if the elimination of the waiting week in various states had increased costs. Attached to the minutes is a copy of Mr. Soptic's remarks, a survey of the waiting period requirements of the 50 states and a copy of a letter surveying the opinions of state labor commissioners on the impact of removing waiting period requirements. (Attachment V).

Mr. Jack Pearson of the Kansas Association of Commerce and Industry reviewed the organization, function and membership of the Employment Security Advisory Council. He said the Council should have some recommendations for the Committee to review by mid-October.

Senator Morris said he favored legislation that would: (1) increase the maximum unemployment tax rate especially for those employers with a negative reserve balance; (2) eliminate all benefits for persons who voluntarily quit a job; (3) allow employers to make voluntary payments to reduce their tax rates to their previous year's rate; (4) reduce unemployment benefits by the amount of pension benefits received by an employee; (5) eliminate the zero percentage tax rate; and (6) clarify K.S.A. 44-710a(B).

Representative Whiteside said he saw no valid purpose for an Advisory Council if the Council could not provide interim committees with their recommendations in a timely fashion. Senator Allegrucci said that some issues were deferred during the 1977 Session pending recommendations of the Employment Security Advisory Council which was supposed to make their recommendation in a timely fashion to the appropriate interim committee.

Senator Vermillion made a motion that the Committee request that the Advisory Council have their recommendations to the Committee by October 10. Senator Feleciano seconded the motion and the motion was unanimously approved.

Mr. Ernie Maxwell of the Department of Human Resources said that the Department may have some suggestions that it feels are essential for the stability of the unemployment insurance program that may not be endorsed by the Advisory Council. Senator Feleciano suggested that a letter be written to Dr. McCain requesting information on a number of subjects including the impact of eliminating the zero percent and the 3.6 percent maximum tax rates, prohibiting benefit payments for those who voluntarily quit a job, elimination of the one-week waiting period, etc., as well as any recommendations the Department may have in regard to changing the law. The Committee by consensus agreed to have a letter sent.

Senator Morris made a motion to approve the July minutes as corrected. Representative Burgess seconded the motion and the motion carried. The meeting then adjourned.

August 18, 1977

Representative Eugene Gastl, Chairperson, called the meeting to order at 9:00 a.m.

Mr. Glenn Adams, manager of the Colorado Compensation Insurance Fund, distributed a number of items to the Committee, copies of which are attached (Attachments VI, VII, VIII, IX and X). Mr. Adams said the Insurance Fund was an insurance company and in many ways operated almost identical to private insurance companies. In response to a question, Mr. Adams noted that state funds do not pay taxes like private insurance companies. He said that the Fund was first established in Colorado in 1915 and now employs 190 people, all of whom are in the state's civil service system. He said that historically the Fund has written coverage for about 65 percent of all Colorado employers representing 50 percent of all the premium dollars. He noted, however, that the Fund had experienced rapid growth in the past few years and now writes coverage for 75 to 80 percent of all employers representing about 60 percent of all premium dollars written in Colorado. He said the Fund has never refused to cover any employer.

The Colorado Fund now has assets of \$105 million. Rates are currently discounted by 25 percent and employers are paid dividends on their premium dollars in good years. Mr. Adams said rates are set to ensure the solvency of the Fund and not to realize a profit. He noted the Fund is a member of the National Council on Compensation Insurance, the national rating bureau that recommends rates for all private insurance companies. He said the Fund does not spend money for advertising or for sales commissions.

Mr. Adams said that if Kansas was serious about establishing a State Fund, every effort should be made to ensure the Fund's administration is isolated from politics. He said that a Fund should be given maximum flexibility to operate otherwise it will not work. He said that a State Fund guarantees a market for employers, allows premium dollars to remain in the state (the Colorado Fund invests its moneys in home mortgages), reduces costs and provides a yardstick for comparison of costs and services of private carriers.

Mr. Adams noted that staff recruiting for his office was handled by another state agency but that the Fund reimbursed this agency for its costs. In response to a question, he noted that employers may switch from a private company to the Colorado State Fund but that their loss record follows them. He said that 12 of 18 states that have state funds are western states. He suggested that this was a result of the reluctance of insurance companies to insure high risk occupations such as mining and farming when workmen's compensation programs were first established.

Mr. Adams said that 90 percent of the premium dollars collected by the Colorado Fund are paid out in benefits to workers or their families. Of this amount, one-third can be attributed for medical costs and two-thirds for wage compensation. He noted the Colorado benefit maximum was 80 percent of the state's average weekly wage. Farm workers have been covered since January, 1977.

He said the Colorado Fund has been defended before the state legislature on some occasions by the American Mutual Insurance Alliance. He said the Fund handles business that other insurance companies do not want. He noted the Fund insures almost all of the mining, logging and farming business in the state. He said the farm rate set by the State Fund was currently only 53 percent of the rate charged by private insurance carriers in Colorado.

Mr. Ray Rathert of the Kansas Insurance Department distributed copies of workmen's compensation rates of various states, a copy of which is attached to the minutes (Attachment XI). He noted the Insurance Department recently denied a 17.4 percent rate increase request by the National Council on Compensation Insurance and was now reviewing a revised 11.3 percent rate increase request. Mr. Rathert said the Department rejected the request based on its own calculations and the opinion of an outside actuarial firm. He then reviewed the type of information contained in insurance company's annual reports and a statement of the premiums, losses and expenses of the Western Insurance Companies. He also distributed a sheet indicating the formula used by the National Council to establish rates. Copies of these various items and Mr. Rathert's remarks are attached (Attachments XII, XIII, and XIV). In response to questions Mr. Rathert said that the workmen's compensation assigned risk plan was rapidly increasing in volume of business and that he had no opinion on the issue of establishing a state fund in Kansas.

Copies of a memorandum from Mr. Mark Bennett and a memorandum from Mr. Rathert concerning certain insurance statistics and a letter by Mr. Bennett requesting to appear before the Committee were distributed and are attached (Attachment XV and XVI).

Senator Vermillion made a motion that the Workers' Compensation Advisory Council and the Department of Human Resources be requested by letter to submit their recommendations to the Committee by October 10. Senator Morris seconded the motion and the motion carried.

The Committee agreed to cancel one of its meeting dates scheduled for September and set a new meeting date on October 12 to hear the recommendations of the two advisory councils and the Department of Human Resources.

The Committee then adjourned.

Prepared by Mike Heim

Approved by Committee on:

(Date)

I

I AM A. J. KING FROM WICHITA, CHAIRMAN OF THE BOARD OF KINGS-X, INC., OPERATORS OF 5 EATING HOUSES IN WICHITA. THANK YOU, CHAIRMAN GASTL, VICE CHAIRMAN VERMILLION, AND MEMBERS OF THE SPECIAL COMMITTEE ON LABOR & INDUSTRY FOR THE OPPORTUNITY TO APPEAR HERE TODAY TO SPEAK FOR THE EXPERIENCE RATING FEATURE OF THE EMPLOYMENT SECURITY LAW.

JUST THE FACT THAT YOU ARE HERE TO LISTEN TO THE PROBLEMS OF THE INDIVIDUAL SMALL BUSINESS MEN WHO ARE TRYING TO KEEP THEIR FEET ON SOLID GROUND AND THEIR BUSINESSES AFLAAT, STRENGTHENS MY FAITH IN OUR DEMOCRATIC SYSTEM AND OUR LEGISLATIVE PROCESS.

THE EFFORT I'VE MADE TO EXAMINE THIS STATUTE AND TO BETTER COMPREHEND ITS APPLICATION TO THE PROBLEMS OF INDUSTRY IN GENERAL AND OPERATIONS LIKE OURS IN PARTICULAR, HAVE HELPED ME BETTER APPRECIATE THE EXTENT OF YOUR RESPONSIBILITIES AND THE MAGNITUDE OF YOUR TASKS AS LEGISLATORS.

WHEN WE RECEIVED OUR "EXPERIENCE RATING NOTICE" LAST JANUARY FROM THE DEPARTMENT OF HUMAN RESOURCES, WE WERE SHOCKED TO DISCOVER THAT THE RATE WE WOULD BE PAYING THIS YEAR HAS MORE THAN TRIPLED -- FROM .9 ~~OF~~ 1% IN '76 TO 2.9% IN '77 -- OUR FIRST REACTION WAS -- THIS CAN'T BE. THERE IS SOME ERROR. OUR CLAIMS WERE NOT THAT HIGH. OUR AVERAGE TAXABLE PAYROLL WAS UP SOME, BUT SO WAS OUR ACCOUNT BALANCE. THEN WE NOTED IN THE COVER LETTER THAT THE "AVERAGE CONTRIBUTION RATE ~~REQUIRED~~ INCREASED FROM 2.23 TO 2.31." ONLY .08 OF 1%. THAT WOULDN'T BE BAD IF SPREAD OVER ALL EMPLOYERS

Atch. I

RATE GROUPS. BUT WHY SHOULD WE MOVE FROM 5 GROUPS BELOW AVERAGE IN '76 TO 2 GROUPS ABOVE AVERAGE IN '77?

FURTHER EXAMINATION OF THE RATE EFFECTIVE IN PRIOR YEARS INDICATED A STEADY INCREASE IN THE NUMBER OF GROUPS PAYING THE MAXIMUM RATE OF 3.6 - (FROM 4 IN '74 TO 7 IN '77). SEVEN GROUPS AT THE TOP AND ONE AT THE BOTTOM WHOSE RATE CANNOT BE INCREASED... THAT'S 8 OUT OF 21 REPRESENTING MORE THAN 38% OF ALL TAXABLE PAYROLLS. AT THIS PACE HOW LONG CAN THE "EXPERIENCE RATING" LAST? SOON WE MAY ALL BE PAYING THE MAXIMUM REGARDLESS OF OUR RATIO. THIS MUST NOT BE. BUT WHAT CAN WE DO? WE COULD MAKE A VOLUNTARY CONTRIBUTION, BUT THIS WOULD ONLY REDUCE OUR RATE BY .3 OF 1%. WHAT CAN WE EXPECT NEXT YEAR AND THE NEXT?

WE SEEMED TO COME UP WITH ^{A LOT OF} MORE QUESTIONS, SOME OF THEM WERE INCLUDED IN A LETTER TO SEN. BILL MORRIS ON FEB. 15, 1977. I WANT TO THANK SEN. MORRIS, MR. HEIM ^{MR. MAXWELL of the RESEARCH DEPT.} AND OTHERS WHO HAVE SUPPLIED INFORMATION IN AN EFFORT TO ENLIGHTEN ME ON HOW THE STATUTE IS APPLIED AND THE WAY RATIOS & RATES ARE ADJUSTED.

AN EXPERIENCE RATING CAN & SHOULD BE A GREAT INCENTIVE FOR BETTER EMPLOYEE RELATIONS, IMPROVED TRAINING, REDUCED TURNOVER, CONTINUED EMPLOYEMENT & PAYROLL GROWTH. IT SHOULD GIVE AN EMPLOYER A SENSE OF RESPONSIBILITY FOR THE RATE HE EARNS. BUT WHEN SOME EMPLOYERS WHO HAVE HONESTLY STRIVED FOR AND SUCCESSFULLY MAINTAINED A GOOD ACCOUNT RATIO ARE CONFRONTED WITH RATE INCREASES AS HIGH AS 20 TIMES THE "AVERAGE REQUIRED

INCREASE," THEY BEGIN TO QUESTION WHETHER THERE MIGHT BE SOME ROOM FOR IMPROVEMENT IN THE RATE STRUCTURE SO THAT THE PAYMENTS OF BENEFITS BEYOND THE CONTROL OF THE INDIVIDUAL EMPLOYER WOULD AFFECT THE RATE ADJUSTMENT MORE EQUALLY IN ALL 21 GROUPS. IT SEEMS TO ME THAT IN AN ARRAY LIKE THIS THERE SHOULD BE ONE HIGH AND ONE LOW - NO ZERO, AND WHEN THE INCREASED BURDEN OF EMPLOYMENT SECURITY IS ASSESSED TO LESS THAN 30% OF THE EMPLOYERS, THEN IT'S TIME TO AMEND THE STATUTE TO INCLUDE ALL PAYROLLS, EVEN THOUGH IT REQUIRES INCREASEING THE MAXIMUM RATE AND/OR REQUIRING A "VOLUNTARY CONTRIBUTION" ^{FROM} FOR THOSE WITH MINUS BALANCES.

IN SOME STATES I UNDERSTAND AN EMPLOYER HAS THE OPTION TO MAKE A TOTAL CONTRIBUTION AND REDUCE HIS RATE TO THE MINIMUM IF HE DESIRES. WHY CAN'T WE ELIMINATE THE RESTRICTION IN KANSAS AND AT LEAST LET HIM "BUY BACK" HIS PREVIOUS YEAR'S RATING? IT MIGHT HELP ~~BUILD THE FUND UP FAST~~. *Sure would sure build it as this year*

I'M NO EXPERT ON ECONOMY, BUT I ^{CAN} TELL YOU FROM EXPERIENCE THAT THE SMALL RETAIL BUSINESSMAN WHO IS ALREADY SERIOUSLY CONCERNED & HEAVILY OCCUPIED WITH THE PROBLEM OF STRETCHING THE SALES DOLLAR OVER RISING PRICES & HIGHER LABOR COSTS, ~~WHEN~~ IS CONFRONTED WITH A 200% INCREASE IN EMPLOYMENT SECURITY CONTRIBUTIONS WITH THE PROSPECT OF FURTHER INCREASES NEXT YEAR IN HIS TAXABLE PAYROLL DUE TO INCREASED MINIMUM WAGE AND A HIGHER BASE (4,200 TO 6,000) PLUS A 40% INCREASE IN ENERGY COSTS -- HE HAS LITTLE TIME OR INCENTIVE FOR EXPANDING THE BUSINESS OR HIS LABOR FORCE.

GENTLEMEN, THANK YOU FOR YOUR TIME & ATTENTION. THIS IS A SERIOUS SITUATION. WE NEED YOUR HELP. ~~WE ARE DEPENDING~~

END

KINGS-X

Contributions in '76 - \$4,926.

Expected Cont. '77 - 15,896 if no increase in ^{Taxable} payroll

~~That~~ An Increase of \$10,970

Total Benefits paid from our account \$
 from last period reported 1498. '76

yet we can expect this year to pay 382. '75
928. '74
2808 '72

More than 10 times the pay out in the last
 Accounting period. -
 '72 times the last 3 yr. Ave.

Already Paid up to Jun 30, '76 — 91,995.76
 Benefits Charged — 31,440.20

Almost 3 to 1

Reserve Ratio reduced from 11.275 To 11.044

Not Because of Benefits -

But Because '75 Taxable payroll increase over '72

August 17, 1977

TESTIMONY FOR THE
LEGISLATIVE INTERIM STUDY COMMITTEE
ON LABOR AND INDUSTRY

My name is Jack A. Pearson. I am the Executive Director of the Industry Division of the Kansas Association of Commerce and Industry.

The Kansas Association of Commerce and Industry, representing over 3,200 businesses and industries in the state, has always been and continues to be concerned about maintaining a sound and fiscally responsible unemployment compensation system for Kansas. We have worked over the years to assure fair and equitable compensation readily available to persons who are unemployed through no fault of their own.

We have spent many, many hours in our efforts to assist the Employment Security Advisory Council and the members of the Kansas Legislature toward a sound and financially responsible program which is fair to jobless workers. Substantial progress toward these goals has been achieved and we are continuing in our efforts toward improvement of the program.

The Kansas legislation (SB 391-SB 393) passed in 1977 brought the state into conformity with Federal law (HR 10210). It also provided for a substantial increase (76% average to 100% maximum) in Federal U.C. taxes paid by Kansas employers (increased from .5% to .7% on a \$4,200 wage base effective in 1977, and effective January 1, 1978 on an increase to the \$6,000 wage base). This was essential legislation for Kansas, although increasing costs to Kansas employers by an estimated \$5 million in 1977 and another \$5 million in '78 for a combined total of \$10 million per year.

We continue to support the Kansas U.C. program which is a sound and solvent operation, while 23 states and territories of the U.S. are operating with bankrupt U.C. funds, being forced to borrow over \$4.5 billion from the Federal Government to remain afloat.

Atch. II

The attached sheet indicates those states that are bankrupt, amount owed, and the condition of the Federal fund. Obviously, Kansas must take extreme care to prevent this from happening here.

Many bankrupt states are doing as North Carolina has done this year to tighten up their law by enacting legislation to deny unemployment compensation to: (1) those who voluntarily quit jobs without good cause attributable to the employer; (2) those who are discharged for misconduct; and (3) those who refuse to accept suitable employment when offered.

In addition, the North Carolina Act offsets a retired person's unemployment compensation by an amount equal to his or her retirement pay. It also encourages the unemployed to take vocational training. While North Carolina and other states are enacting corrective, cost-saving features in their laws to "get out of debt," KACI would support amendments to the Kansas Unemployment Compensation Law which would help keep our state U.C. fund solvent and accomplish the following:

1. Offset unemployment compensation benefits by the amounts of payments received, or that claimants are entitled to receive simultaneously from pensions financed in whole or in part by the employer, including any social security benefits.
2. Denial of all benefits for a voluntary quit until claimant again becomes employed and re-establishes eligibility for benefits.
3. Cancellation or reduction of benefit rights to the extent of the weeks of disqualification imposed for those suspended or discharged for misconduct connected with their employment.

A brief financial picture of the Kansas U.C. system is supported by statistics on the attached sheet. I would like to call your attention to some of these figures which show the changes in the last six years, 1972 to 1977 inclusive,

Column 2 - Increase in the state average weekly wage (up 38%)

Column 4 - Maximum weekly benefit increase (up 65%)

Column 5 - Increase in benefits paid (up 184%)

Column 6 - Reserve fund (almost doubled)

Column 9 - Reserve ratio rate for the year (high in '76, down in '77, lower forecast in '78) and

Column 8 - The increase in total wages paid (up over 60%).

Finally, without any changes in the Kansas U.C. law related to increased coverage or benefits, Kansas employers face a substantial U.C. cost increase in 1978!

There is a strong probability that the Kansas U.C. Reserve Fund will be less than 2.5% when final tabulations are available and rates are computed for 1978. This means an automatic yield increase requirement from 1.1% of total wages to 1.2% or a tax increase of 9.1% (average) amounting to approximately \$6 million annually (at current wage levels) for Kansas employers for calendar year 1978.

Due to the fact that certain parts of existing Kansas law were not changed when the 1977 Federal conformity legislation was enacted, another 26% increase in costs will be experienced by Kansas employers. This, coupled with the increase referred to above, will result in a 37% total increase to Kansas (\$24 million at current wage levels) in 1978.

This 37% increase, assuming only a 9% increase in wages next year, could increase the total to a 50% (\$32 million) increase -- even without any changes in existing Kansas law. This is a conservative anticipated wage estimate, as the average over the past four years has been 13.1%.

However, I can assure the Committee that the Employment Security Advisory Council is working on this problem now and will have a proposed solution to offer at a later date.

Gentlemen of the Committee, we in the economy, representing business and industry, are seriously concerned regarding future costly and inflationary trends in unemployment compensation, workers' compensation, and other similar programs. All of these costs are, and must be, reflected in the price of a finished product -- where the consumer pays. Every dollar paid out by a company in the form of taxes, unemployment checks, insurance coverage, etc. must be paid by all of us -- as consumers.

KANSAS UNEMPLOYMENT COMPENSATION REVIEW*

A 1973-1980 Planning Period was developed by the Employment Security Advisory Council (in cooperation with the Employment Security Division) in late 1972, with a planned U.C. reserve fund ratio of 3.0% of total wages.

Since 1972, high costs of regular and extended benefits during 1975 and 1976, along with an increase in the maximum weekly benefit amount increase to 55% on July 1, 1973, and another increase to 60% as of July 1, 1976 -- neither of which were considered in the formulation of the plan -- provided for a temporary setback in reaching the planned reserve fund ratio of 3.0% of total wages.

It is still believed that the planning was sound, but a review and new projections may now be in order before contemplation of any major changes in the U.C. law.

CHART I*

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Cal. Year	Average Weekly Wage	Excalator %	Max. Wkly. Benefit	Total Benefits Paid (Millions)	Reserve Fund (Millions)	Employees Covered	Total Wages Paid (Billions)	Res. Ratio for yr.	\$ Taxes (Millions)
1972	\$131.51	50%	\$66	\$22	\$81	546,627	\$3.757	2.2 %	
1973	132.18	55%	73	20	114	582,014	4.322	2.8 %	\$48
1974	142.80	55%	79	33	139	610,464	4.909	2.54%	49
1975	154.64	55%	85	65	135	617,657	5.428	2.78%	52
1976	168.99	60%	101	58	142	651,434	6.145	2.83%	56
1977	181.41	60%	109	**62.5	150	-	-	2.66%	64

* Statistical Data: Kansas Employment Security Division

** Latest actual experience (current level through June 30, 1977).

ADVANCES TO STATES FROM FEDERAL UNEMPLOYMENT ACCOUNT

(IN MILLIONS PER CY)

STATES	1972	1973	1974	1975	1976	Through 5/15/77	TOTAL
Connecticut	\$31.8	\$21.7	\$ 8.5	\$ 190.2	\$ 111.0	\$ 74.9	\$ 438.1 ¹
Washington		40.7	3.4	50.0	55.3	(11.6)	137.8 ¹
Vermont			5.3	23.0	9.2	9.1	46.6 ¹
New Jersey				352.2	145.0	141.7	638.9
Rhode Island				45.8	20.0	9.0	74.8
Massachusetts				140.0	125.0		265.0
Michigan				326.0	245.0	53.0	624.0
Puerto Rico				35.0	22.0	10.0	67.0
Minnesota				47.0	76.0	49.0	172.0
Maine				2.4	12.5	8.0	22.9
PENNSYLVANIA				173.8	379.1	294.3	847.3
Delaware				6.5	14.0	16.1	36.6
Dist. of Columbia				7.0	26.6	18.8	52.4
Alabama				10.0	20.0	26.7	56.7
Illinois				68.8	446.5	236.3	751.6
Arkansas					20.0	10.0	30.0
Hawaii					22.5		22.5
Nevada					7.6		7.6
Oregon					18.5		18.5
Maryland					36.1	26.5	62.6
Montana					1.4	7.9	9.3
New York						155.8	155.8
Florida						32.0	32.0
TOTAL	\$31.8	\$62.4	\$17.2	\$1,477.7	\$1,813.3	\$1,167.5	\$4,569.9

Balance remaining in Federal Unemployment Account: \$209.6 M

	Connecticut	Washington	Vermont
¹ Actual loans received	\$477.0 M	\$149.4 M	\$47.8 M
Less repayment:			
Reduced employer credits	(12.9)	(11.6)	(1.2)
From Trust Fund Account	(26.0)	—	—
TOTAL	\$438.1 M	\$137.8 M	\$46.4 M

Source:

STATE TAX ACCOUNTING AND CONTROLS UNEMPLOYMENT INSURANCE SERVICE

III

WICHITA DIVISION WICHITA, KANSAS, 67210

August 17, 1977

Resume of Testimony for the

SPECIAL COMMITTEE ON LABOR AND INDUSTRY

Proposal No. 46 - Review of the Employment Security Law

Mr. Chairman:

Members of the Committee:

My name is Bill Abbott. I am the Public Affairs Manager for the Boeing Wichita Company.

The Boeing Wichita Company has long supported the Employment Security Law of the State of Kansas and we are gratified that the employers of the state have chosen to support a law that will not let Kansas get into a deficit financial position as you have heard in earlier testimony. Last session we heard testimony that approximately 20 state funds are broke and borrowing from the Federal government. Today the figure is 23 states. We will continue to support legislation to insure that Kansas remains fiscally sound with the U. C. Fund.

My comments today will relate to the adequacy of the current law. Adequate in that those employees who are entitled to benefits receive them and those who are not, do not receive benefits.

We support the basic concept of Unemployment Compensation; "those employees who are unemployed through no fault of their own, are available for work and are actually seeking employment should be entitled to benefits for a period of time until they can find other employment." To insure that funds are available for these employees we support amendments to achieve the following:

1. Voluntary quits - a disqualification for the duration of his unemployment and until he becomes re-employed and again earns an eligibility.
2. The employee should be required by statute, to keep a record of places he has applied for work so this information is available to the employment security office, if requested.
3. A disqualification for employees discharged for misconduct connected with his work.
4. Disqualification for failure to accept suitable work.

Atch. III

Resume of Testimony
August 17, 1977
Page 2

We can sympathize with all employees who are unemployed, however, the U.C. program is not a welfare program and was never intended to be. I think the business community will continue to support a fair and equitable program; that is why we feel strongly that benefits should be restricted to those employees who are unemployed through no fault of their own.

After making my comments a conferee testified, and requested elimination of the waiting week. Boeing Wichita does not support this and we feel there is good cause for continuing the waiting week.

Again, the intent of the program is to help those employees who cannot find work. Until they have looked and until they have registered with the local Employment Security Office, we don't know that suitable work is available or not. It seems reasonable that this period of time can be utilized to make these determinations and if work is not available and they are still unemployed at the end of the waiting week they are entitled to benefits.

Gentlemen I appreciate the opportunity to appear before you and state our position on Proposal 46. If we can be of any service in your deliberations, please feel free to contact me.

A handwritten signature in cursive script, appearing to read "Bill Hall", with a long horizontal flourish extending to the right.

KANSAS STATE

FEDERATION OF LABOR, AFL-CIO

OFFICE: 525 TOPEKA BOYD, P. O. BOX 145

PHONE 913-357-0398

TOPEKA, KANSAS 66601

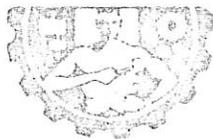
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TESTIMONY PRESENTED TO

LABOR AND INDUSTRY

1977 INTERIM COMMITTEE

BY

RALPH MCGEE, EXECUTIVE SECRETARY

KANSAS STATE FEDERATION

OF LABOR, AFL-CIO

AUGUST 17, 1977

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

The Kansas State Federation of Labor again comes before you supporting the elimination of the one-week waiting period. We believe that the person who is unemployed, through no fault of his own, needs and should have unemployment compensation beginning with the first week of their unemployment. It is a matter of record in this state that the great, great majority of those unemployed make a sincere and conscientious effort to find a job.

As part of our presentation on this matter, we have a paper prepared by the Employment Security Division titled, "Waiting Week Comparison of States". We realize that as well as the human element, there is also the cost element. On the third page of this paper, you will note in the second column, top line that the additional cost to the fund would be approximately three million dollars.

Atch. IV

You will note that this is an especially high year. The other figures on this page show a cost factor of lesser amounts so it is possible that the additional cost could run from 1½ million up to the three million figure. It is also possible for the three million figure to increase, but we believe that in an average, as per past history, that the increase would be, in some years, even lower than the three million dollars top figure.

Our second recommendation to the committee for your consideration involves those people who are in the lower income brackets. We believe that the 4% of the highest quarterly earnings for the claimant has been in the law since its inception. We suggest that consideration be given to increasing the 4% figure up to the 5% amount. There are several other sections in the law that are geared to this 4% in the determination of the weekly benefit check and the period for which it can be drawn. All of these sections would have to be scrutinized and coordinated in order to establish a fair and reasonable figure.

Many people have the impression that the 60% figure to establish the maximum weekly benefit amount also establishes the weekly benefit amount for those who do not qualify for the maximum at 60% of the individuals' average weekly wage. This is not the case. For example, an individual making \$150 per week who worked a total of 52 weeks would draw approximately \$78 per week unemployment compensation. When the maximum is increased each year this causes a certain number of people who are eligible for unemployment compensation under the old maximum to be disqualified because of lack of sufficient income and they receive no unemployment compensation. We are hoping to be able to make a contribution and be a part of an effort toward a full review in the area of the lower income group who may be discriminated against by certain sections of the present law.

Waiting Week
Comparison of States 1/
As of January 5, 1976

States with:

No waiting period.....	11
One week waiting period.....	a/ 29
One week waiting period, but payable after certain conditions met.....	b/ 11

a/ Georgia - no waiting week if claimant unemployed not through own fault

b/ Waiting week compensable after:

- Iowa - five consecutive compensable weeks
- La. - six weeks of unemployment-not disqualified
- Mo. - nine consecutive compensable weeks
- R.J. - when benefits are payable for third week following waiting period
- Va. - benefits paid equal four times WBA
- Tex. - four weeks benefits paid
- Minn. - any four weeks in benefit year
- Wis. - if employed by other than base period employer at least four out of first 10 weeks of benefit year and earns four times WBA
- Pa. - third week of unemployment
- Ohio - third week of total unemployment
- Hi. - if claimant is eligible for 12 consecutive weeks immediately following.

1/ Source: Unemployment Insurance Service, ETA, Department of Labor

If waiting week were eliminated, about 2/3 of claimants would draw an additional compensable week based on FY 75 and FY 76.

Previous years showed 75 to 80 per cent would receive an additional compensable week.

KANSAS
 POTENTIAL COST OF WAITING WEEK BECOMING COMPENSABLE
 Based on Fiscal Year 1976 Data

High Cost Year

Waiting Weeks	Total Cost	Additional Cost Allowing For Exhaustees	High Cost Year			
			Per Cent Increase of Total Cost after n Consecutive Weeks of Unemployment	Per Cent Increase of Total Cost after n Consecutive Weeks of Compensable Unemployment		
			<u>n</u>	<u>Per Cent</u>	<u>n</u>	<u>Per Cent</u>
3,559	\$4,173,964	\$3,003,254	1	5.6	1	5.3
2,102	3,881,819	2,794,910	2	5.3	2	4.9
4,965	3,610,101	2,599,273	3	4.9	3	4.5
1,117	3,357,365	2,417,303	4	4.5	4	4.2
7,539	3,122,362	2,248,101	5	4.2	5	3.9
4,211	2,903,778	2,090,720	6	3.9	6	3.7
1,116	2,700,499	1,944,359	7	3.7	7	3.4
8,238	2,511,472	1,868,260	8	3.4	8	3.2
5,561	2,335,646	1,681,665	9	3.2	9	2.9
33,072	2,172,169	1,563,962	10	2.9	10	2.7
30,757	2,020,120	1,454,486	11	2.7	11	2.5
28,604	1,878,711	1,352,672	12	2.5	12	2.4
26,602	1,747,219	1,257,998	13	2.4	13	2.2
24,740	1,624,923	1,169,944				

Note: The number of Waiting Weeks for each week times the factor .72 which allows for exhaustees divided by Weeks Compensated in FY 1976 (810,334) provides a mathematical check of the percentage figures.

We have been trying for years to have the waiting week eliminated in the State of Kansas. The Kansas State CAP Council and Local #31 UAW have put a lot of effort toward this end in the State of Kansas.

We have come to within 1 vote of getting this law passed, and as circumstances change, so do the votes that are put in our favor to eliminate the waiting week. The Kansas State CAP Council tried again this year (1976) and was successful in getting a bill introduced again by getting 11 representatives to endorse the bill in the House of Representatives. Due to a bill also being introduced to increase the weekly amount received by the unemployed, the bill for the elimination of the waiting week was not in as good a position to get passed as it would have been if the bill to increase the weekly amount had not been introduced and passed in the State of Kansas. While this bill increased the amount some would receive, it did not do as much good as the elimination of the waiting week would have done for everyone who is unemployed. The difference economically for all would have been better if the waiting week had been eliminated, and every unemployed person would have been given a raise to help sustain them during their unemployed period. The cost between the two different ideas, as to which is the best, is negligible, and those who needed it most were cut short or out.

Following is a break down on various states and the way they pay the unemployed in their States, that the SUB Committee of Local #31 UAW have compiled statistically as of January 1, 1976:

These states do not have waiting week:

Connecticut

Delaware

Kentucky

Maine

Maryland

Missouri = administration problem 9 weeks

Nevada

New Hampshire

New Jersey - after 3 weeks

Pennsylvania

South Carolina

Georgia - no fault of his own

Atch. V

1. Alabama - Must serve a waiting period of one week for the first week of unemployment within the benefit year.
2. Arizona - Must serve one week at beginning of benefit year.
3. Alaska - Must serve one week at beginning of benefit year.
4. Arkansas - Must serve one week at beginning of benefit year.
5. California - Must serve one week at beginning of benefit year.
6. Connecticut - No waiting period.
7. Delaware - No waiting period.
8. District of Columbia - Must serve one week at beginning of benefit year.
9. Florida - Must serve one week at beginning of benefit year.
10. Georgia - One week during each benefit year unless claimant is unemployed through no fault of his own (in other words people laid off for plant rearrangement, model change etc. would not serve a waiting period).
11. Hawaii - One week - after 12 consecutive weeks of compensable unemployment immediately following waiting period, then benefits are paid for the waiting period (this is an administrative headache for the State).
12. Idaho - Must serve one week at beginning of benefit year.
13. Illinois - Waiting period: if unemployment continues for more than 3 weeks during such benefit year, individual shall be eligible for benefits with respect to each week including the first week previously designated as the waiting week.
14. Indiana - Must serve one week at beginning of benefit year.
15. Iowa - Waiting period: one week of total unemployment. After 5 weeks for which benefits have been payable the waiting period becomes compensable (again administrative problems for the State).
16. Kansas - Must serve one week at the beginning of each benefit year.
17. Kentucky - No waiting period.
18. Louisiana - One week - after 6 consecutive weeks of unemployment, benefits will be paid for waiting week if claimant is not disqualified) (again administrative problems for the State).
19. Maine - No waiting week.
20. Maryland - No waiting period.
21. Massachusetts - One week at beginning of benefit year.
22. Michigan - No waiting period.
23. Minnesota - Waiting period: one week - the waiting week is payable when claimant returns to work, provided he has been paid benefits for at least 4 weeks (again administrative problems for the State).
24. Mississippi - One week at beginning of benefit year.
25. Missouri - Waiting period - one week payable after 9 consecutive compensable weeks (again administrative problems for the State).
26. Montana - One week at beginning of benefit year.
27. Nebraska - One week at beginning of benefit year.
28. Nevada - No waiting period.
29. New Hampshire - No waiting period.
30. New Jersey - Waiting period - one week - after 3 consecutive weeks of compensable unemployment immediately following waiting period benefits are paid for waiting week. (again administrative problems for State).
31. New Mexico - One week at beginning of benefit year.
32. New York - Waiting period - 4 successive days wholly within the week in which the claimant filed a valid and original claim or partially within such week and partially within benefit year established by such claim (again administrative problems for State).

3. North Carolina - One week at beginning of benefit year.
4. North Dakota - One week at beginning of benefit year.
35. Ohio - One week at beginning of benefit year.
36. Oklahoma - One week at beginning of benefit year.
37. Oregon - One week at beginning of benefit year.
38. Pennsylvania - No waiting period.
39. Rhode Island - Waiting period: 7 consecutive days of total or partial unemployment.
40. South Carolina - No waiting period.
41. South Dakota - One week at beginning of benefit year.
42. Tennessee - One week at beginning of benefit year.
43. Texas - One week at beginning of benefit year.
44. Utah - One week at beginning of benefit year.
45. Vermont - One week at beginning of benefit year.
46. Virginia - One week at beginning of benefit year.
47. Washington - One week at beginning of benefit year.
48. West Virginia - Waiting period: One week if totally unemployed; no waiting period required for benefits if partially unemployed.
49. Wisconsin - One week at beginning of benefit year.
50. Wyoming - One week at beginning of benefit year.

Canada - Waiting period - two full weeks.

Puerto Rico - Waiting period: one week waiting period at the beginning of each benefit year for industrial workers (factory workers etc.) No waiting period needed for agricultural workers. (In other words if you are growing beets or topping same, you need not serve a waiting period) (but if you work in a factory, you must serve a waiting period)

Question: Doesn't this seem like discrimination against factory workers?

Virgin Islands - One week at beginning of benefit year.

By consulting with different groups and various knowledgeable people around the country the SUB Committee of Local #31 UAW believe that the cost to the State and Federal Governments would be less to eliminate the waiting week in any benefit year. We, the SUB Committee, sincerely hope all of the members of Local #31 UAW who are employed in the State of Kansas will support Local #31 in their push for the elimination of the waiting week in the 1977 legislature period. The members of the SUB Committee have spent considerable time compiling these statistics for each state and again we hope that we can get the full support of all labor in the State of Kansas for this legislation.

We hope that the above will give you a clearer insight into the various States regarding waiting periods. Hopefully this will stop some so called speculation and or rumors.

There is a possibility the Plant may go down due to the rubber strike. We, the SUB Committee are working out arrangements between the State of Kansas and General Motors for both shifts to register for SUB prior to lay off and also register for unemployment compensation with the State of Kansas in the plant cafeteria. Please watch future notices in your Labor Beacon and bulletins on the Union Bulletin Boards.

BY:

R. J. Soptic, President Local #31 U

Glen Cramer, SUB Committee Chairman

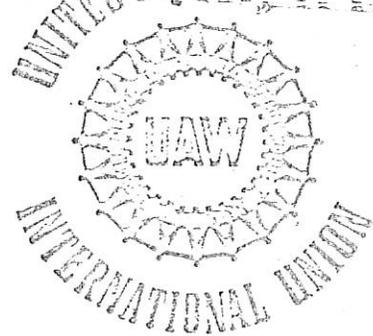
Bill Bradford, SUB Committeeman

D. E. Jackson, Second Shift

Alternate SUB Committeeman

opeiu 320

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UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA (UAW)

Local No. 31

1019-21 Waterway Drive
KANSAS CITY, KANSAS 66102



Phone Finley 2-7330
Finley 2-7331

August 11, 1977

State Labor Commissioner
Capitol Building
Concord, New Hampshire

Dear Sir:

It is my understanding that New Hampshire does not have a waiting period for people who apply for Unemployment Compensation.

Do you find that the elimination of this waiting period increased the overall Unemployment Compensation paid out?

Do you feel that this elimination of this waiting period has caused abuse in the Unemployment Compensation privilege?

Do you feel that this elimination has not changed anything?

If at all possible, we would appreciate receiving your reply by August 16, 1977.

Yours truly,

R. J. Soptic, President

opeiu 320

R. J. Soptic, Pres.
C. R. Bowers, V. Pres.
J. E. Carter, Rec. Sec.
T. C. Deery, Fin. Sec. Treas.

J. S. Gillians, Sgt. at Arms
V. L. Manuel, Trustee
C. Gatson, Trustee
J. P. O'Brien, Trustee

Zone 2 Committeeman
A. E. Elam
Zone 3 Committeeman
R. G. Becker

Zone 4 Committeeman
J. E. Biondi
Zone 5 Committeeman
W. J. McNeal

5 YEAR COMPARISON Premium Dollar Distribution 1971-75

State Funds vs. Private Carriers



STATE FUNDS



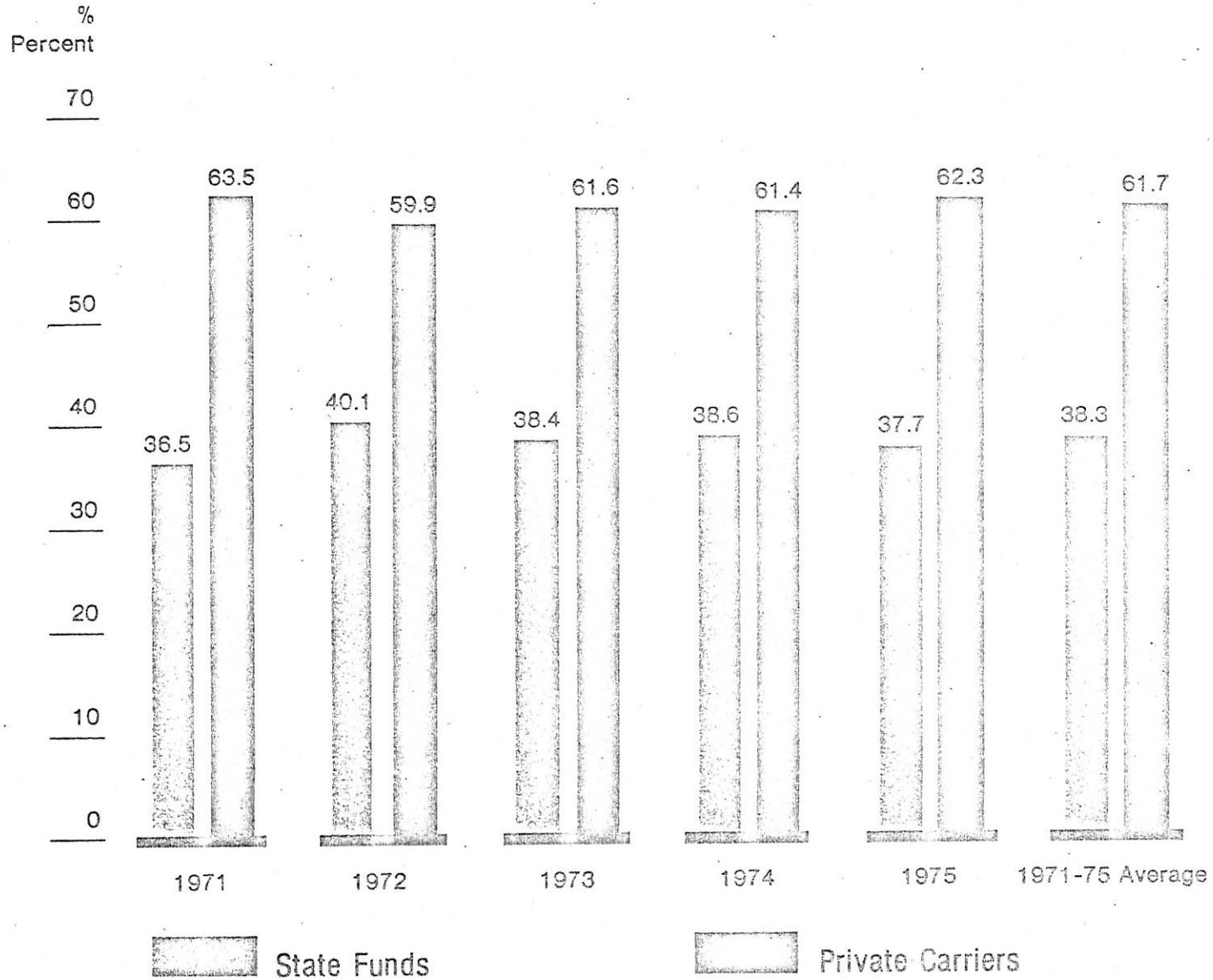
PRIVATE CARRIERS

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11

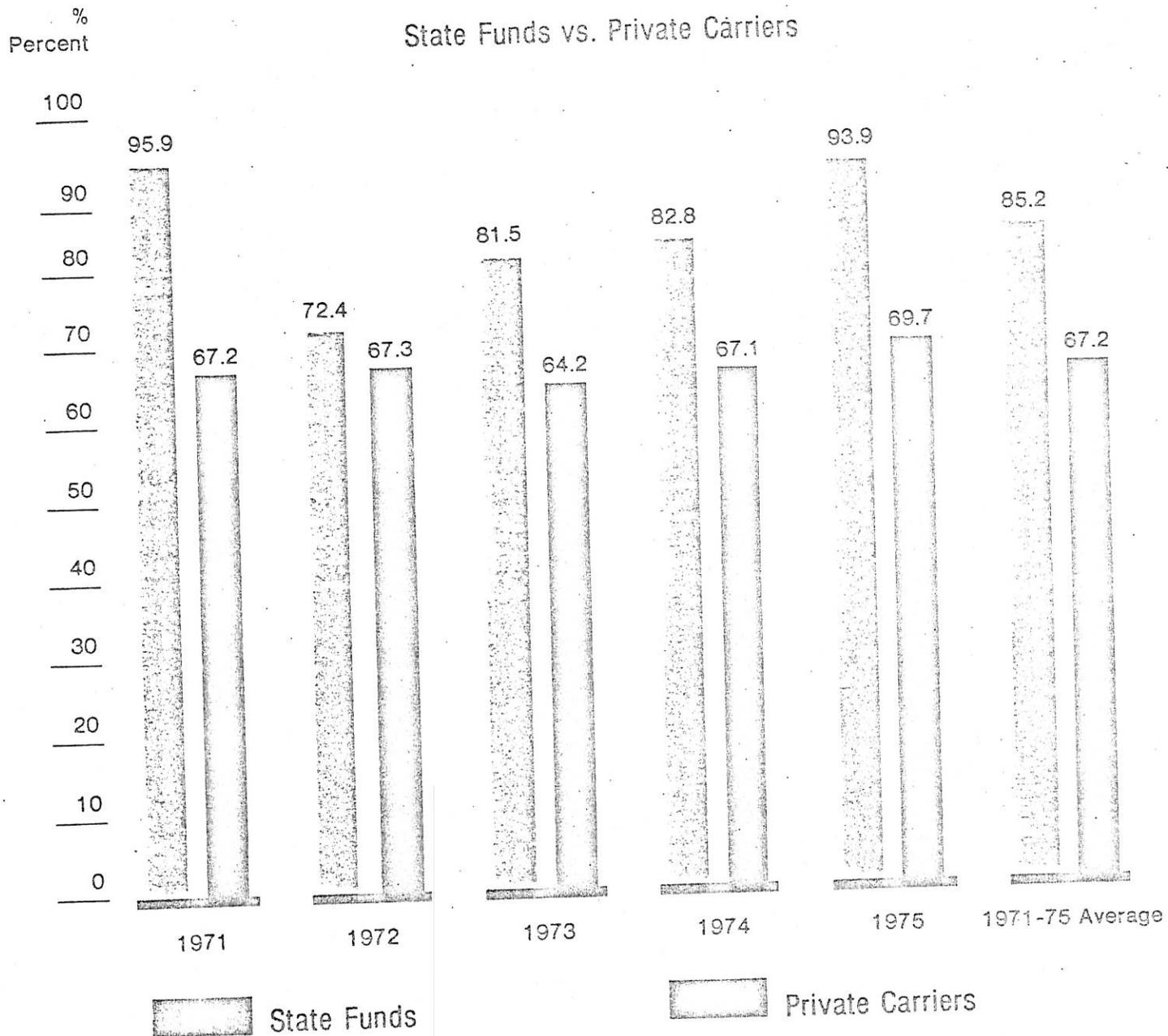
5 YEAR COMPARISON Earned Premium as Share of Market

State Funds vs. Private Carriers



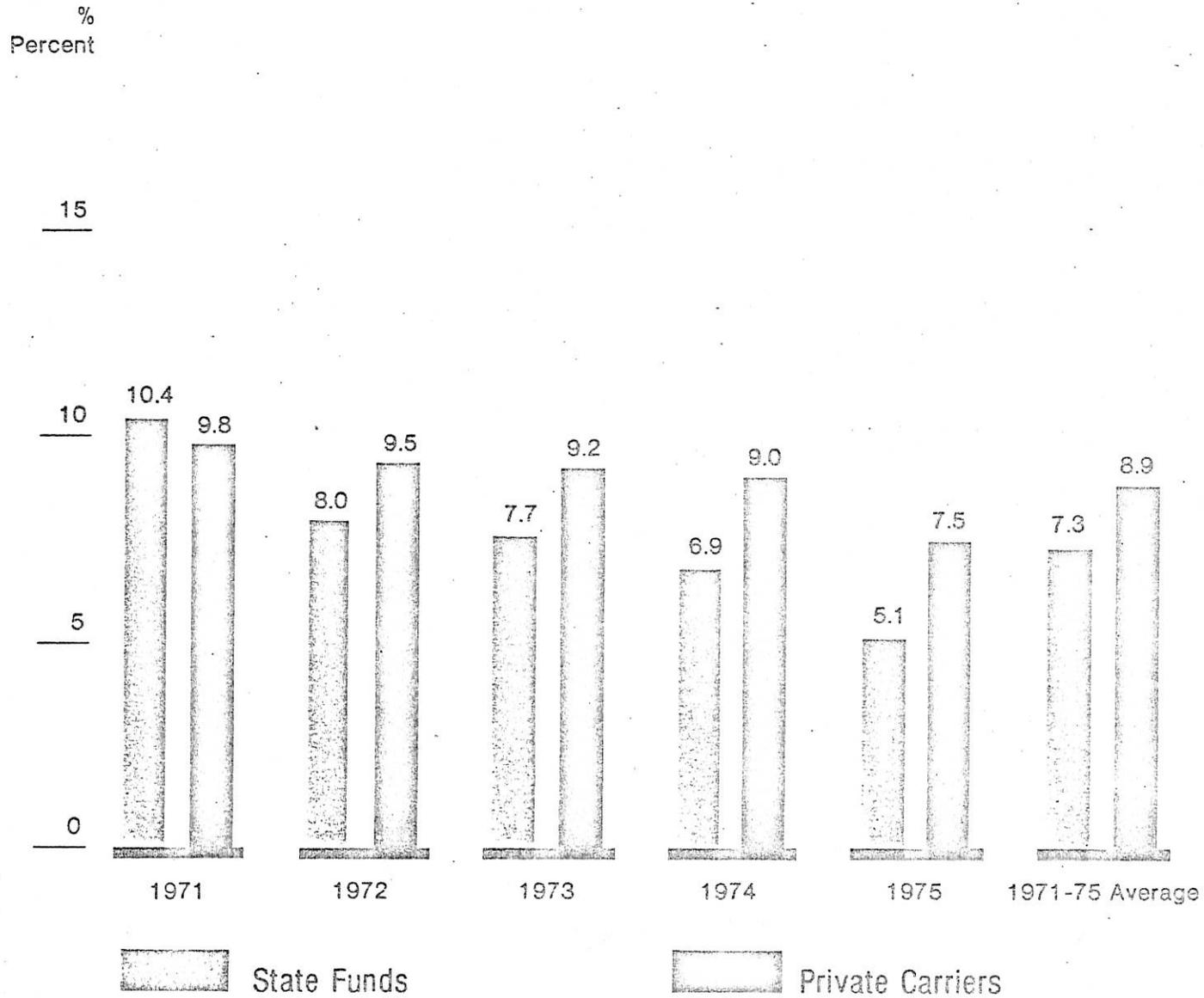
5 YEAR COMPARISON Loss Ratio

State Funds vs. Private Carriers



5 YEAR COMPARISON Dividends Paid as Percent of Earned Premium

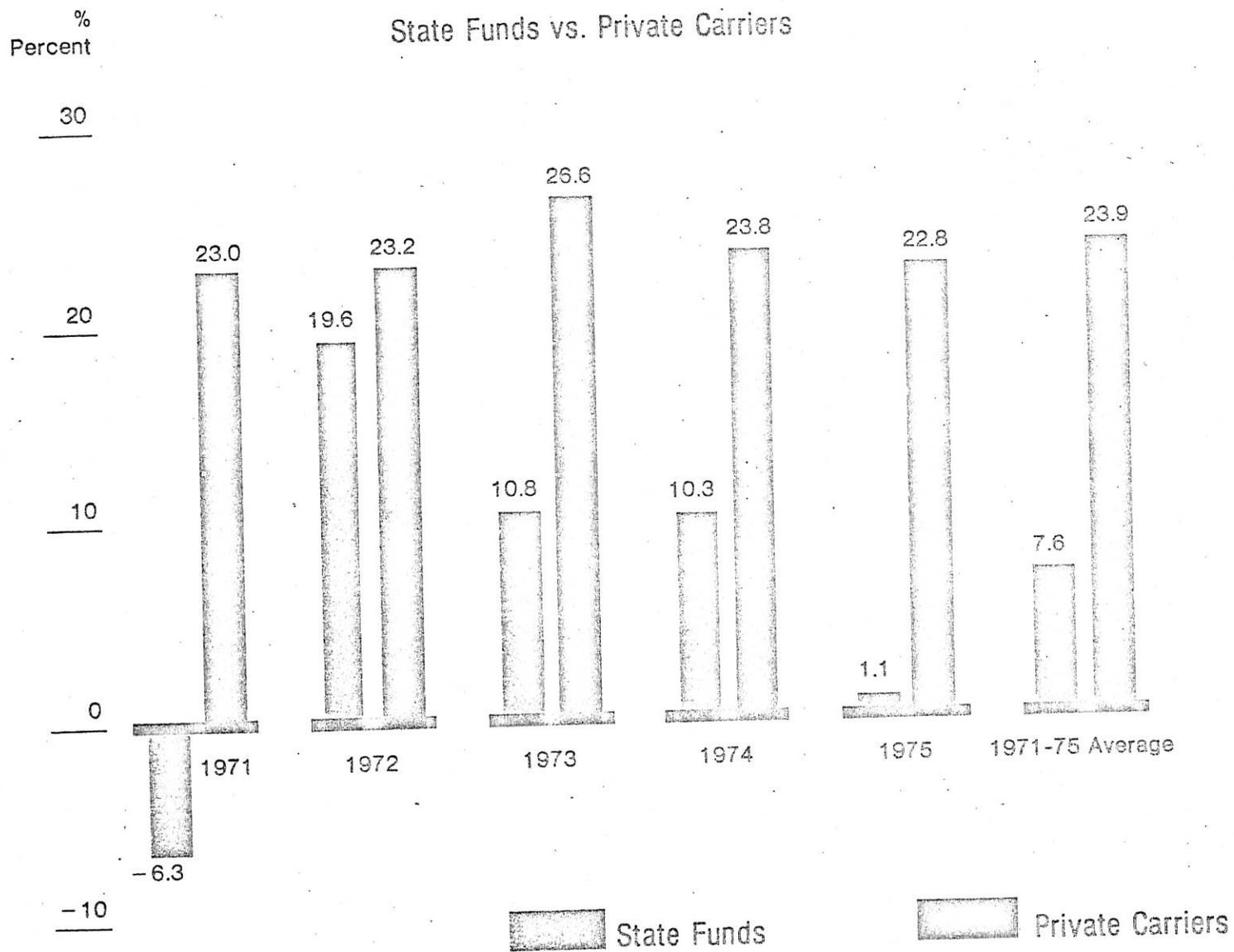
State Funds vs. Private Carriers *



* Mutual carriers should have dividend reduced about 7.5% to compensate for higher premium discount used.

5 YEAR COMPARISON

Retention as Percent of Earned Premium



5 YEAR COMPARISON

Premiums • Losses • Dividends • Retention

(000 Omitted)

STATE FUNDS VS. PRIVATE CARRIERS

STATE	YEAR	STATE FUNDS							PRIVATE CARRIERS						
		EARNED PREMIUM	INCURRED LOSS	LOSS RATIO	DIVIDEND PAID	%	RETENTION	%	EARNED PREMIUM	INCURRED LOSS	LOSS RATIO	DIVIDEND PAID	%	RETENTION	%
ARIZONA	1971	\$ 31,880	\$ 29,432	92.3	\$ 1,776	5.6	\$ 672	2.1	\$ 34,846	\$ 25,693	73.7	\$ 2,066	5.9	\$ 7,087	20.4
	1972	34,522	28,255	81.9	3,735	10.8	2,532	7.3	48,588	35,102	72.3	3,062	6.3	10,424	21.4
	1973	37,839	32,283	85.3	6,000	15.9	(444)	(1.2)	60,999	42,985	70.5	4,345	7.1	13,659	22.4
	1974	37,773	28,643	75.9	3,000	7.9	6,130	16.2	67,253	47,340	70.4	4,619	6.9	15,294	22.7
	1975	39,540	36,681	92.8	4,700	11.9	(1,841)	(4.7)	69,693	50,072	71.8	4,570	6.6	15,051	21.6
TOTAL		181,554	155,294	85.5	19,211	10.6	7,049	3.9	281,379	201,192	71.5	18,662	6.6	61,525	21.9
CALIFORNIA	1971	152,006	104,800	68.9	40,510	26.7	6,696	4.4	514,982	310,855	60.4	63,263	12.3	140,864	27.4
	1972	170,419	135,502	79.5	39,409	23.1	(4,492)	(2.6)	590,257	372,339	63.1	69,164	11.8	148,754	25.2
	1973	200,649	149,000	74.2	32,018	16.0	19,631	9.8	687,557	431,446	62.8	78,970	11.5	177,141	25.8
	1974	232,023	185,652	80.0	27,594	11.9	18,777	8.1	782,459	520,049	66.5	82,253	10.5	180,157	23.0
	1975	275,663	250,607	90.9	20,997	7.6	4,059	1.5	911,327	615,281	67.5	72,957	8.0	223,089	24.5
TOTAL		1,030,760	825,561	80.1	160,528	15.6	44,671	4.3	3,486,582	2,249,970	64.5	366,607	10.5	870,005	25.0
COLORADO	1971	21,883	16,237	74.2	2,000	9.1	3,646	16.7	18,075	11,332	62.7	1,048	5.8	5,695	31.5
	1972	25,822	15,473	59.9	1,194	4.6	9,155	35.5	21,274	12,350	58.1	1,464	6.9	7,460	35.1
	1973	26,830	17,018	63.4	3,241	12.1	6,571	24.5	26,710	14,372	53.8	1,782	6.7	10,556	39.5
	1974	26,491	25,797	97.4	8,900	33.6	(8,206)	(31.0)	30,267	17,767	58.7	2,071	6.8	10,429	34.5
	1975	28,402	27,831	98.2	2,000	7.0	(1,479)	(5.2)	29,813	21,673	72.7	1,901	6.4	6,239	20.9
TOTAL		129,428	102,406	79.1	17,335	13.4	9,687	7.5	126,139	77,494	61.4	8,266	6.6	40,379	32.0
IDAHO	1971	2,837	1,674	59.0	600	21.1	563	19.9	9,851	7,510	76.2	525	5.3	1,816	18.4
	1972	4,250	3,479	81.8	700	16.5	71	1.7	16,778	10,857	64.7	762	4.5	5,159	30.7
	1973	4,501	3,513	78.0	800	17.8	188	4.2	20,212	13,919	68.9	1,086	5.4	5,207	25.8
	1974	5,632	4,145	73.6	900	16.0	587	10.4	23,968	17,282	72.1	1,329	5.5	5,357	22.4
	1975	6,542	5,061	77.4	1,000	15.3	431	7.4	29,417	18,777	64.1	1,668	5.7	10,972	37.3
TOTAL		23,762	17,872	75.2	4,000	16.8	1,890	8.0	100,226	66,345	66.2	5,370	5.4	28,511	28.4
MARYLAND	1971	5,495	4,320	78.6	0	—	1,175	21.4	72,070	43,345	60.1	4,011	5.6	24,714	34.3
	1972	5,868	3,577	61.0	0	—	2,291	39.0	75,868	46,569	61.4	4,992	6.6	24,307	32.0
	1973	5,847	3,913	66.9	0	—	1,934	33.1	88,446	56,320	63.7	5,065	5.7	27,061	30.6
	1974	5,504	3,897	70.8	0	—	1,607	29.2	104,851	66,500	63.4	5,835	5.6	32,516	31.0
	1975	5,328	3,673	69.0	0	—	1,655	31.1	105,204	70,802	67.3	6,205	5.9	28,197	26.8
TOTAL		28,042	19,380	69.1	0	—	8,662	30.9	446,439	283,536	63.5	26,108	5.8	136,795	28.4

5 YEAR COMPARISON

Premiums • Losses • Dividends • Retention
(000 Omitted)

STATE FUNDS VS. PRIVATE CARRIERS

STATE	YEAR	STATE FUNDS								PRIVATE CARRIERS							
		EARNED PREMIUM	INCURRED LOSS	LOSS RATIO	DIVIDEND PAID	%	RETENTION	%	EARNED PREMIUM	INCURRED LOSS	LOSS RATIO	DIVIDEND PAID	%	RETENTION	%		
MICHIGAN	1971	\$ 13,646	\$ 10,459	76.6	\$ 1,029	7.6	\$ 2,158	15.8	\$ 227,032	\$ 186,344	82.1	\$ 17,499	7.7	\$ 23,189	10.2		
	1972	14,787	11,848	80.1	1,109	7.5	1,830	12.4	245,464	192,382	78.4	18,648	7.6	34,434	14.0		
	1973	16,266	13,335	82.0	1,617	9.9	1,314	8.1	315,547	206,132	65.3	22,694	7.2	86,721	27.5		
	1974	17,370	14,874	85.6	1,724	9.9	772	4.5	345,370	231,340	67.0	30,324	8.8	83,706	24.2		
	1975	17,921	15,846	88.4	1,677	9.4	398	2.2	340,075	250,717	73.7	28,439	8.4	60,919	17.9		
	TOTAL		79,990	66,362	83.0	7,156	8.9	6,472	8.1	1,473,488	1,066,915	72.4	117,604	8.0	288,969	19.6	
MONTANA	1971	8,750	7,336	83.8	590	6.7	824	9.4	7,691	4,830	62.8	309	4.0	2,552	33.2		
	1972	8,750	7,707	88.1	590	6.7	453	5.2	9,812	5,607	57.1	361	3.7	3,844	39.2		
	1973	9,504	8,011	84.3	650	6.8	843	8.9	10,780	7,183	66.6	439	4.1	3,158	29.3		
	1974	14,728	11,590	78.7	1,707	11.6	1,431	9.7	16,859	11,531	68.4	555	3.3	4,773	28.3		
	1975	15,696	11,975	76.3	1,815	11.6	1,906	12.1	19,568	10,295	52.6	827	4.2	8,446	43.2		
	TOTAL		57,428	46,619	81.2	5,352	9.3	5,457	9.5	64,710	39,446	61.0	2,491	3.8	22,773	35.2	
NEVADA	1971	17,055	16,906	99.1	0	—	149	.9	38	42	110.5	3	7.9	(7)	(18.4)		
	1972	25,300	21,441	84.7	0	—	3,859	15.3	204	295	144.6	3	1.5	(94)	(46.1)		
	1973	32,759	29,630	90.4	0	—	3,129	9.6	127	43	33.9	17	13.4	67	52.7		
	1974	43,630	36,505	83.7	2,000	4.6	5,125	11.7	300	150	50.0	15	5.0	135	45.0		
	1975	43,115	39,178	90.9	0	—	3,937	9.1	638	106	16.7	24	3.8	508	79.6		
	TOTAL		161,859	143,660	88.8	2,000	1.2	16,199	10.0	1,307	636	48.7	62	4.7	609	46.6	
NORTH DAKOTA	1971	5,700	5,074	89.0	0	—	626	11.0	152	35	23.0	15	9.9	102	67.1		
	1972	6,132	5,292	86.3	0	—	840	13.7	165	16	9.7	6	3.6	143	86.7		
	1973	7,693	7,266	94.4	0	—	427	5.6	162	51	31.5	13	8.0	98	60.5		
	1974	8,459	6,912	81.7	0	—	1,547	18.3	150	55	36.6	54	36.0	41	27.4		
	1975	10,182	7,748	76.1	0	—	2,434	23.9	211	109	51.4	(36)	—	138	65.4		
	TOTAL		38,166	32,292	84.6	0	—	5,874	15.4	840	266	31.7	52	6.2	522	62.1	
OHIO	1971	153,447	224,069	146.0	0	—	(70,622)	(46.0)	1,572	1,235	78.6	228	14.5	109			
	1972	242,376	171,897	70.9	0	—	70,479	29.1	2,154	692	32.1	150	6.9	1,312			
	1973	282,764	214,771	76.0	0	—	67,993	24.0	1,911	872	45.6	30	1.6	1,009			
	1974	319,526	248,013	77.6	0	—	71,513	22.4	4,088	3,191	78.1	171	4.2	726			
	1975	306,456	285,547	93.2	0	—	20,909	6.8	4,443	3,698	83.2	98	2.2	647	14.6		
	TOTAL		1,304,569	1,144,297	87.7	0	—	160,272	12.3	14,168	9,688	68.4	677	4.8	2,922		

5 YEAR COMPARISON

Premiums • Losses • Dividends • Retention
(000 Omitted)

STATE FUNDS VS. PRIVATE CARRIERS

STATE	YEAR	STATE FUNDS							PRIVATE CARRIERS						
		EARNED PREMIUM	INCURRED LOSS	LOSS RATIO	DIVIDEND PAID	%	RETENTION	%	EARNED PREMIUM	INCURRED LOSS	LOSS RATIO	DIVIDEND PAID	%	RETENTION	%
OKLAHOMA	1971	\$ 4,876	\$ 3,146	64.5	\$ 600	12.3	\$ 1,130	23.2	\$ 39,686	\$ 27,485	69.2	1,902	4.8	\$ 10,299	26.0
	1972	5,717	4,503	78.8	629	11.0	58.5	10.2	45,421	31,680	69.7	1,979	4.4	11,762	25.9
	1973	5,941	4,937	83.2	514	8.6	490	8.2	53,209	37,437	70.4	2,195	4.1	13,577	25.5
	1974	6,260	7,008	111.9	505	8.1	(1,253)	(20.0)	58,711	46,045	78.4	2,729	4.6	9,937	16.9
	1975	8,734	7,715	88.3	0	0	1,019	11.7	64,146	52,956	82.6	2,529	3.9	8,661	13.5
TOTAL		31,528	27,309	86.6	2,248	7.1	1,971	6.3	261,173	195,603	74.9	11,334	4.3	54,236	20.8
OREGON	1971	66,136	51,038	77.2	10,447	15.8	4,651	7.0	37,271	28,205	75.7	3,647	9.8	5,419	14.5
	1972	84,192	58,635	69.6	12,192	14.5	13,365	15.9	46,618	33,308	71.4	3,862	8.3	9,448	20.3
	1973	86,481	73,648	85.2	18,686	21.6	(5,873)	(6.8)	55,783	36,361	65.2	5,226	9.4	14,196	25.4
	1974	111,777	88,436	79.1	19,142	17.1	4,199	3.8	70,234	47,788	68.0	6,374	9.1	16,072	22.9
	1975	122,553	108,958	88.9	19,095	15.6	(5,500)	(4.5)	86,589	64,245	74.2	6,573	7.6	15,771	18.2
TOTAL		471,119	380,715	80.8	79,562	16.9	10,842	2.3	296,495	209,907	70.8	25,682	8.7	60,906	20.5
UTAH *	1971	6,255	4,659	74.5	446	7.1	1,150	18.4	3,204	2,168	67.7	283	8.8	753	23.5
	1972	7,297	6,436	88.2	1,283	17.6	(422)	(5.8)	3,782	2,626	69.4	284	7.5	872	23.1
	1973	8,265	7,335	88.5	700	8.4	250	3.0	5,237	4,042	77.2	242	4.6	953	18.2
	1974	9,395	10,979	116.9	667	7.1	(2,251)	(24.0)	7,322	3,934	53.7	457	6.2	2,931	40.0
	1975	N/A	N/A		N/A		N/A		9,351	7,086	75.8	436	4.7	1,829	19.6
TOTAL		31,232	29,409	94.2	3,096	9.9	(1,273)	(4.1)	28,896	19,856	68.7	1,702	5.9	7,338	25.4
WASHINGTON	1971	71,538	58,078	81.2	0	—	13,460	18.8	4,532	3,269	72.1	364	8.1	899	19.8
	1972	112,177	68,045	60.7	0	—	44,132	39.3	5,169	4,364	84.4	349	6.8	456	8.8
	1973	111,535	118,363	106.1	0	—	(6,828)	(6.1)	6,082	4,516	74.3	324	5.3	1,242	20.4
	1974	121,140	125,238	103.4	0	—	(4,098)	(3.4)	7,037	5,568	79.1	183	2.6	1,286	18.3
	1975	129,767	146,946	113.2	0	—	(17,179)	(13.2)	8,519	6,956	81.7	111	1.3	1,452	17.0
TOTAL		546,157	516,670	94.6	0	—	29,487	5.4	31,339	24,673	78.7	1,331	4.2	5,335	17.0
WYOMING *	1971	4,313	2,554	59.2	0	—	1,759	40.8	109	40	36.7	6	5.5	63	57.8
	1972	3,876	3,906	100.8	0	—	(30)	(.8)	292	40	13.7	4	1.4	243	84.9
	1973	5,598	4,083	72.9	0	—	1,515	27.1	70	15	21.4	3	4.3	52	74.3
	1974	0	0	0	0	—	0	0	539	94	17.4	5	.9	440	81.7
	1975	N/A	N/A	—	N/A	—	N/A	—	673	117	17.3	6	.9	550	81.7
TOTAL		13,787	10,543	76.5	—	—	3,244	23.5	1,683	306	18.2	24	1.4	1,353	4

continued

5 YEAR COMPARISON
 Premiums • Losses • Dividends • Retention
 (000 Omitted)
 STATE FUNDS VS. PRIVATE CARRIERS

STATE	YEAR	STATE FUNDS							PRIVATE CARRIERS						
		EARNED PREMIUM	INCURRED LOSS	LOSS RATIO	DIVIDEND PAID	%	RETENTION	%	EARNED PREMIUM	INCURRED LOSS	LOSS RATIO	DIVIDEND PAID	%	RETENTION	%
WEST VIRGINIA *	1971	\$ 0	\$ 0	0	\$ 0	—	\$ 0	—	\$ 564	\$ 375	66.5	\$ 32	5.7	\$ 157	27.8
	1972	0	0	0	0	—	0	—	234	111	47.4	61	26.1	62	26.5
	1973	42,274	50,105	118.5	0	—	(7,831)	(18.5)	201	302	150.2	23	11.4	(124)	(61.6)
	1974	62,992	64,426	102.3	0	—	(1,434)	(2.3)	472	128	27.1	46	9.7	298	63.2
	1975	81,343	95,142	117.0	0	—	(13,799)	(17.0)	447	(16)	—	26	5.8	437	97.8
TOTAL		186,609	209,673	112.4		—	(23,084)	(12.4)	1,918	900	46.9	188	9.8	830	43.3
TOTAL ALL STATES	1971	555,249	532,569	95.9	57,552	10.4	(34,872)	(6.3)	967,796	650,130	67.2	94,880	9.8	222,738	23.0
	1972	740,312	535,654	72.4	59,558	8.0	145,100	19.6	1,107,772	745,561	67.3	104,802	9.5	257,409	23.2
	1973	828,589	675,688	81.5	63,526	7.7	89,375	10.8	1,327,525	851,637	64.2	122,186	9.2	353,702	26.6
	1974	950,313	786,710	82.8	65,472	6.9	98,131	10.3	1,511,547	1,014,606	67.1	136,512	9.0	360,429	23.8
	1975	1,009,899	947,816	93.9	51,284	5.1	10,799	1.1	1,669,643	1,163,687	69.7	125,866	7.5	380,090	22.8
TOTAL		4,084,362	3,478,437	85.2	297,392	7.3	308,533	7.6	6,584,285	4,425,671	67.2	584,246	8.9	1,574,368	23.9

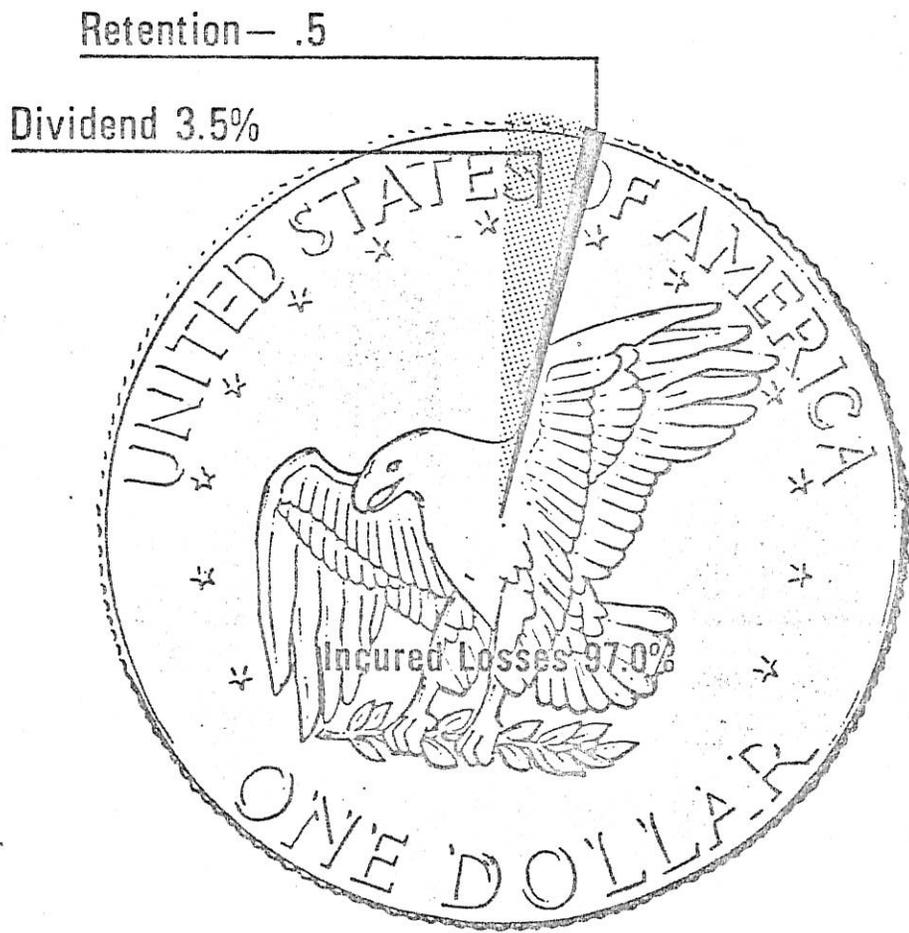
*Utah, Wyoming, and West Virginia are not included in the totals because of incomplete data for the five years.

Source: Data on state funds is from AASCIF figures by correspondence for '71 & '72. Data for 1973 on is from the AASCIF Statistics Committee Report. Data on private carriers is from A.M. Best Company.

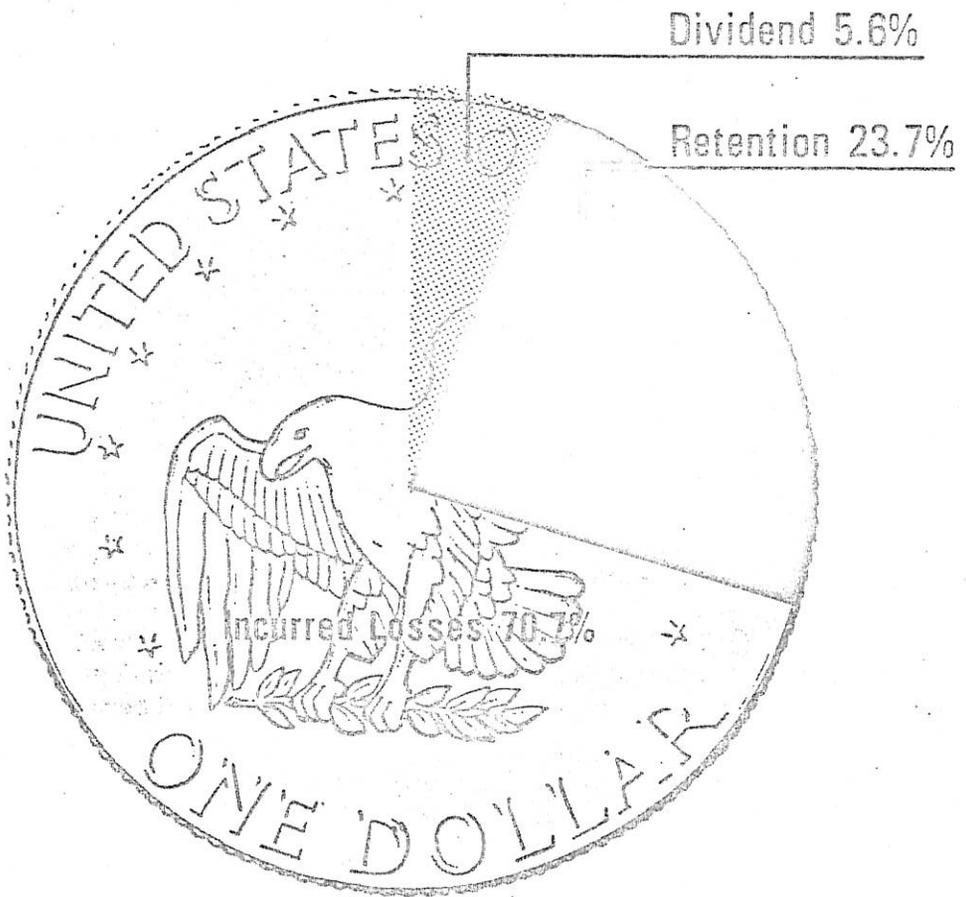
1976 COMPARISON

Premium Dollar Distribution

State Funds vs. Private Carriers



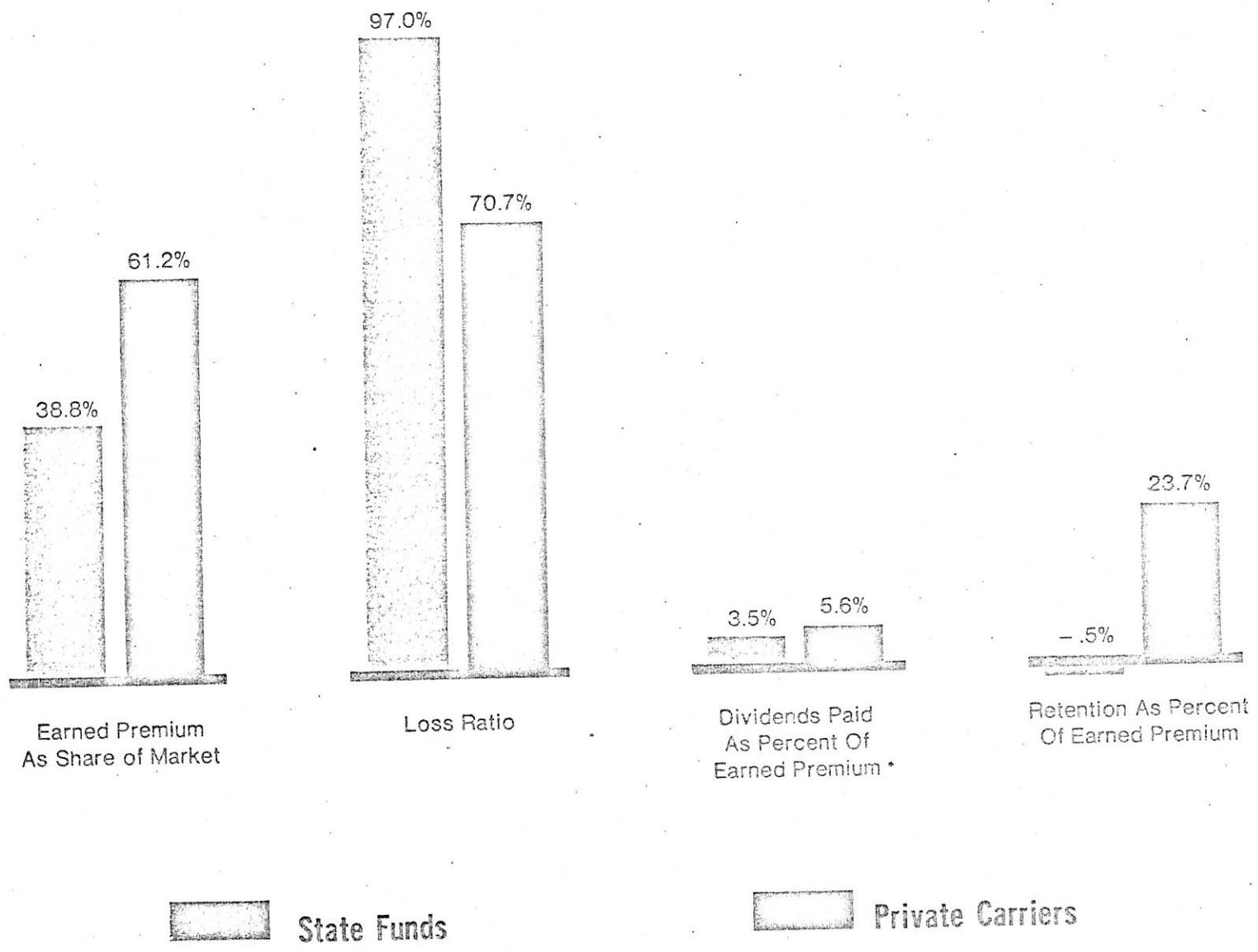
STATE FUNDS



PRIVATE CARRIERS

1976 COMPARISON

State Funds vs. Private Carriers



* Mutual carriers should have dividend reduced about 7.5% to compensate for higher premium discount used.

1976 COMPARISON
Premiums • Losses • Dividends • Retention
 (Thousands Omitted)

STATE	STATE FUNDS							PRIVATE CARRIERS						
	EARNED PREMIUM	INCURRED LOSS	LOSS RATIO	DIVIDEND PAID	%	RETENTION	%	EARNED PREMIUM	INCURRED LOSS	LOSS RATIO	DIVIDEND PAID	%	RETENTION	%
ARIZONA	\$ 47,832	\$ 43,459	90.9	\$ 6,000	12.5	(1,627)	(3.4)	\$ 85,610	\$ 51,663	60.3	\$ 4,781	5.6	\$ 29,166	34.1
CALIFORNIA	321,844	269,063	83.6	13,573	4.2	39,208	12.2	1,155,845	803,374	69.5	65,902	5.7	266,569	24.8
COLORADO	35,744	41,614	116.4	2,375	6.6	(8,245)	(23.0)	36,038	30,249	83.9	2,249	6.3	3,540	9.8
IDAHO	9,136	6,888	75.4	1,500	16.4	748	8.2	35,627	19,820	55.6	1,622	4.6	14,185	39.8
MARYLAND	6,512	4,704	72.2	0	0	1,808	27.8	137,393	102,035	74.3	7,063	5.1	28,295	20.6
MICHIGAN	26,720	25,227	94.4	1,676	6.3	(183)	(.7)	389,253	302,266	77.7	25,329	6.5	61,658	15.8
MONTANA	18,329	6,397	34.9	3,109	17.0	8,823	48.1	26,025	14,684	56.4	846	3.3	10,495	40.3
NEVADA	53,627	53,295	99.4	0	—	332	.6	528	210	39.8	38	7.2	280	53.0
NORTH DAKOTA	11,509	8,527	74.1	0	—	2,982	25.9	236	153	64.8	10	4.3	73	30.9
OHIO	342,400	312,400	91.2	0	—	30,000	8.8	6,973	4,683	67.2	32	.4	2,258	32.4
OKLAHOMA	12,511	10,332	82.6	0	0	2,179	17.4	77,135	60,895	79.0	2,182	2.8	14,058	18.2
OREGON	159,125	148,131	93.1	18,500	11.6	(7,506)	(4.7)	107,216	67,301	62.8	6,555	6.1	33,360	31.1
UTAH	15,071	16,509	109.5	—	—	(1,438)	(9.5)	11,178	7,335	65.6	394	3.5	3,449	30.9
WASHINGTON	160,279	242,604	151.4	0	—	(82,325)	(51.4)	13,742	8,997	65.5	54	.4	4,691	34.1
WEST VIRGINIA	92,797	84,714	91.3	0	—	8,083	8.7	584	158	27.1	70	12.0	356	60.9
WYOMING	7,984	7,364	92.2	0	—	620	7.8	1,119	368	32.9	6	.5	745	66.6
TOTAL OF ALL STATES	1,321,420	1,281,228	97.0	46,733	3.5	(6,541)	(.5)	2,084,502	1,474,191	70.7	117,133	5.6	493,178	23.7

Source: Data on private carriers is from A.M. Best Company.

COLORADO WORKMEN'S COMPENSATION INSURANCE
 Five-Year Comparison of Major Colorado Carriers

	Year	*Premiums Earned	Incurred Losses	Loss Ratio	Retention	Retention %
Employers Mutual	1971	\$1,872,649	\$1,147,432	61.3	\$ 725,217	38.7
	1972	2,704,411	1,090,559	40.3	1,613,852	59.7
	1973	3,132,538	1,291,692	41.2	1,840,846	58.8
	1974	2,424,125	1,503,018	62.0	921,107	38.0
	1975	2,086,485	1,420,658	68.1	665,827	31.9
	5 Years	\$12,220,208	\$6,453,359	52.8	\$5,766,849	47.2
Travelers Insurance Company	1971	\$ 806,951	\$ 868,222	107.6	\$ (61,271)	(7.6)
	1972	1,187,404	604,920	50.9	582,484	49.1
	1973	1,446,917	714,486	49.4	732,431	50.6
	1974	---	---	---	---	---
	1975	2,634,603	1,598,567	60.7	1,036,036	39.3
	5 Years	\$6,075,875	\$3,786,195	62.3	\$2,289,680	37.7
Liberty Mutual	1971	\$ 827,425	\$ 929,337	112.3	\$ (101,912)	(12.3)
	1972	1,233,018	699,042	56.7	533,976	43.3
	1973	1,539,915	1,203,277	78.1	336,638	21.9
	1974	---	---	---	---	---
	1975	1,441,821	1,631,584	113.2	(189,763)	(13.2)
	5 Years	\$5,042,179	\$4,463,240	88.5	\$ 578,939	11.5
Travelers Indemnity Company	1971	\$ 806,850	\$ 946,287	117.3	\$ (139,437)	(17.3)
	1972	591,434	483,916	81.8	107,518	18.2
	1973	1,180,555	732,507	62.0	448,048	38.0
	1974	1,011,900	741,192	73.2	270,708	26.8
	1975	1,392,286	1,374,179	98.7	18,107	1.3
	5 Years	\$4,983,025	\$4,278,081	85.9	\$ 704,944	14.1

COLORADO WORKMEN'S COMPENSATION INSURANCE

Five-Year Comparison of Major Colorado Carriers

	Year	*Premiums Earned	Incurred Losses	Loss Ratio	Retention	Retention %
Aetna Casualty & Surety	1971	\$ 670,765	\$ 430,137	64.1	\$ 240,628	35.9
	1972	685,509	377,357	55.0	308,152	45.0
	1973	799,727	423,213	52.9	376,514	47.1
	1974	1,502,476	650,946	43.3	851,530	56.7
	1975	896,730	844,554	94.2	52,176	5.8
	5 Years	\$4,555,207	\$2,726,207	59.8	\$1,829,000	40.2
Insurance Company of North America	1971	\$ 267,684	\$ 316,563	118.3	\$ (48,879)	(18.3)
	1972	453,670	329,711	72.7	123,959	27.3
	1973	810,300	426,809	52.7	383,491	47.3
	1974	662,747	518,341	78.2	144,406	21.8
	1975	2,076,575	854,015	41.1	1,222,560	58.9
	5 Years	\$4,270,976	\$2,445,439	57.3	\$1,825,537	42.7
Hartford Accident and Indemnity Company	1971	\$ 914,137	\$ 356,319	39.0	\$ 557,818	61.0
	1972	316,356	479,341	151.5	(162,985)	(51.5)
	1973	920,148	773,009	84.0	147,139	16.0
	1974	1,856,349	486,384	26.2	1,369,965	73.8
	1975	109,155	322,840	295.8	(213,685)	(195.8)
	5 Years	\$4,116,145	\$2,417,893	58.7	\$1,698,252	41.3
Employers Fire Insurance Company	1971	\$ 665,436	\$ 300,538	45.2	\$ 364,898	54.8
	1972	633,498	299,180	47.2	334,318	52.8
	1973	828,178	309,675	37.4	518,503	62.6
	1974	895,613	786,073	87.8	109,540	12.2
	1975	1,011,623	687,332	67.9	324,291	32.1
	5 Years	\$4,034,348	\$2,382,798	59.1	\$1,651,550	40.9

COLORADO WORKMEN'S COMPENSATION INSURANCE

Five-Year Comparison of Major Colorado Carriers

	Year	*Premiums Earned	Incurred Losses	Loss Ratio	Retention	Retention %
United States Fidelity and Guarantee Company	1971	\$ 559,385	\$ 270,377	48.3	\$ 289,008	51.7
	1972	746,230	665,953	89.2	80,277	10.8
	1973	669,095	472,311	70.6	196,784	29.4
	1974	991,342	498,228	50.3	493,114	49.7
	1975	716,813	308,346	43.0	408,467	57.0
	5 Years	\$3,682,865	\$2,215,215	60.1	\$1,467,650	39.9
Twin City Fire Insurance Company	1971	\$ 318,933	\$ 323,558	101.5	\$ (4,625)	(1.5)
	1972	429,369	267,768	62.4	161,601	37.6
	1973	713,450	354,592	49.7	358,858	50.3
	1974	789,954	614,720	77.8	175,234	22.2
	1975	1,129,576	532,514	47.1	597,062	52.9
	5 Years	\$3,381,282	\$2,093,152	61.9	\$1,288,130	38.1
State Compensation Insurance Fund	1971	\$21,723,085	\$16,236,560	74.7	\$5,486,525	25.3
	1972	25,821,555	15,472,848	59.9	10,348,707	40.1
	1973	26,742,613	17,455,713	65.3	9,286,900	34.7
	1974	26,491,902	25,821,891	97.5	670,011	2.5
	1975	28,402,240	27,916,076	98.3	486,164	1.7
	5 Years	\$129,181,395	\$102,903,088	79.7	\$26,278,307	20.3

*Does not include dividends returned to policyholders, but does reflect premium discounts and rate deviations.

COLORADO WORKMEN'S COMPENSATION INSURANCE

Year	*Premiums Earned	Incurred Losses	Loss Ratio	Retention	Retention %
TEN MAJOR PRIVATE CARRIERS					
1971	\$ 7,710,215	\$ 5,888,770	76.4	\$ 1,821,445	23.6
1972	8,980,899	5,297,747	59.0	3,683,152	41.0
1973	12,040,823	6,701,571	55.7	5,339,252	44.3
1974	10,134,506	5,798,902	57.2	4,335,604	42.8
1975	13,495,667	9,574,589	70.9	3,921,078	29.1
5 Years	\$ 52,362,110	\$ 33,261,579	63.5	\$ 19,100,531	36.5

ALL OTHER PRIVATE CARRIERS					
1971	\$ 9,068,151	\$ 5,466,932	60.3	\$ 3,601,219	39.7
1972	12,123,173	7,075,999	58.4	5,047,174	41.6
1973	14,667,074	7,697,001	52.5	6,970,073	47.5
1974	18,010,245	10,902,799	60.5	7,107,446	39.5
1975	16,306,632	12,098,292	74.2	4,208,340	25.8
5 Years	\$ 70,175,275	\$ 43,241,023	61.6	\$ 26,934,252	38.4

TOTAL ALL PRIVATE CARRIERS					
1971	\$ 16,778,366	\$ 11,355,702	67.7	\$ 5,422,664	32.3
1972	21,104,072	12,373,746	58.6	8,730,326	41.4
1973	26,707,897	14,398,572	53.9	12,309,325	46.1
1974	28,144,751	16,701,701	59.3	11,443,050	40.7
1975	29,802,299	21,672,881	72.7	8,129,418	27.3
5 Years	\$122,537,385	\$ 76,502,602	62.4	\$ 46,034,783	37.6

STATE COMPENSATION INSURANCE FUND					
1971	\$ 21,723,085	\$ 16,236,560	74.7	\$ 5,486,525	25.3
1972	25,821,555	15,472,848	59.9	10,348,707	40.1
1973	26,742,613	17,455,713	65.3	9,286,900	34.7
1974	26,491,902	25,821,891	97.5	670,011	2.5
1975	28,402,240	27,916,076	98.3	486,164	1.7
5 Years	\$129,181,395	\$102,903,088	79.7	\$ 26,278,307	20.3

COLORADO WORKMEN'S COMPENSATION INSURANCE

Year	*Premiums Earned	Incurred Losses	Loss Ratio	Retention	Retention %
TOTAL COLORADO CARRIERS					
1971	\$ 38,501,451	\$ 27,592,262	71.7	\$ 10,909,189	28.3
1972	46,925,627	27,846,594	59.3	19,079,033	40.7
1973	53,450,510	31,854,285	59.6	21,596,225	40.4
1974	54,636,653	42,523,592	77.8	12,113,061	22.2
1975	58,204,539	49,588,957	85.2	8,615,582	14.8
5 Years	\$251,718,780	\$179,405,690	71.3	\$ 72,313,090	28.7

*Does not include dividends returned to policyholders,
but does reflect premium discounts and rate deviations.

STATE COMPENSATION INSURANCE FUND

Year	Retention (Before Dividends)	Dividends	Retention (After Dividends)	Retention % (After Dividends)
1971	\$ 5,486,525	\$ 2,486,377	\$ 3,000,148	13.8
1972	10,348,707	6,300,000	4,048,707	15.7
1973	9,286,900	5,000,000	4,286,900	16.0
1974	670,011	2,000,000	(1,329,989)	(5.0)
1975	486,164	2,000,000	(1,513,836)	(5.3)
5 Years	\$26,278,307	\$ 17,786,377	\$ 8,491,930	6.6

Year	Retention (After Dividends)	Administrative Expenses	Retention (After Expenses)	Retention % (After Expenses)
1971	\$ 3,000,148	\$ 2,659,000	\$ 341,148	1.6
1972	4,048,707	2,490,000	1,558,707	6.0
1973	4,286,900	2,626,000	1,660,900	6.2
1974	(1,329,989)	3,304,000	(4,633,989)	(17.5)
1975	(1,513,836)	3,300,000	(4,813,836)	(16.9)
5 Years	\$ 8,491,930	\$ 14,379,000	(5,887,070)	(4.6)

COLORADO WORKMEN'S COMPENSATION INSURANCE

MANUAL RATE LEVEL
(Prior to Discount)

Year	Premiums Earned	Elevated to Manual Level	Incurred Losses	Loss Ratio
*State Compensation Insurance Fund (Factor 1.38)				
1971	\$ 21,723,085	\$ 29,977,857	\$ 16,236,560	54.2
1972	25,821,555	35,633,746	15,472,848	43.4
1973	26,742,613	36,904,806	17,455,713	47.3
1974	26,491,902	36,558,825	25,821,891	70.6
1975	28,402,240	39,195,091	27,916,076	71.2
5 Years	\$129,181,395	\$ 178,270,325	\$102,903,088	57.7

*Private Carriers (Factor 1.08)

1971	\$ 16,778,366	\$ 18,120,635	\$ 11,355,702	62.7
1972	21,104,072	22,792,398	12,373,746	54.3
1973	26,707,897	28,844,529	14,398,572	49.9
1974	28,144,751	30,396,331	16,701,701	54.9
1975	29,802,299	32,186,483	21,672,881	67.3
5 Years	\$122,537,385	\$132,340,376	\$ 76,502,602	57.8

The State Compensation Insurance Fund average discount of 27.5% and the Private Carriers average discount of 7.6% have been used to elevate the Earned Premiums to standard or manual premium level, so that loss ratios may be reviewed on a comparative basis.

State
Compensation
Insurance
Funds

*...Their Purpose
and Impact*

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... State Funds, collectively, have a mission that is forthright and clear — to take a position of leadership in the provision of service to employers and injured workers and in the reformation and improvement of workers' compensation.

In support of this mission, the American Association of State Compensation Insurance Funds has a threefold commitment:

1. Through the effective and efficient operation of its member Funds, to provide:

- ... an assured market for employers to secure workers' compensation coverage;
- ... adequate, prompt, and equitable benefits to injured workers and their dependents;
- ... the best medical care and rehabilitation with the goal of the earliest possible return to work and total restoration of the injured employee;
- ... service and assistance in the prevention of accidents and occupational disease.

2. To work for the improvement, refinement, and preservation of State workers' compensation systems.

3. To actively provide resources and support for the adoption and establishment of State Funds in those States not currently served by Funds."

Development of Workers' Compensation and the Creation of State Funds

Workers' compensation is essentially a product of the industrial revolution. That revolution changed common law and employer liability remedies into unfair burdens on the injured worker.

By the early 1900's the inadequacy of these legal remedies was becoming common knowledge. The practice of basing liability on negligence was no longer justifiable in a time when many jobs were recognized to involve certain inherent but often unpredictable hazards. Compensation for injuries was usually insufficient, never consistent, and always uncertain. Painfully slow court procedures in most states delayed settlements. The system was wasteful because of high and excessive insurance carrier overhead. Labor relations during this period deteriorated because the system promoted antagonism between employers and wage earners. There was also little financial stimulus for employers to seek methods of accident prevention. And, finally, society was becoming increasingly disturbed by the burden of charity for uncompensated injured workers. It became evident that a new approach was needed. This approach took the form of workers' compensation laws.

It was intended that workers' compensation laws would provide prompt, equitable, guaranteed relief to the injured worker, irrespective

of fault. In return, the employer would be protected against catastrophic loss by a stated liability for specified benefits. However, even the costs associated with one severe injury could be beyond the financial capability of many employers, particularly the small employers. It was also apparent that benefits under this new system would be paid to the injured worker or his dependents over a long period of time, and the problem of guaranteeing continuation of benefits existed when an employer went out of business or ownership of the firm changed hands. It was evident that only a few very large employers had the financial capacity and long-range stability to assume this liability themselves. For the vast majority of employers, it would be necessary, as well as desirable, to purchase insurance protection against this statutorily imposed liability. Through insurance, the risk could be spread and benefits guaranteed to the injured worker irrespective of the life of his employer.

Many legislators, employers, and others were concerned over the implications of subjecting employers to a statutory liability that required insurance protection as the only feasible method of meeting this liability. Would individual employers or categories of employers be forced to quit business if insurance carriers refused them coverage? What if the premium rates were so excessive as to impose a serious financial burden on many employers and adversely affect the state economy? Was it equitable to allow an insurance company to reap an uncontrolled profit from a premium payment that could be equated with a tax on the employer? These concerns were based upon extensive experience and data developed under employer liability statutes. For example, in New York in 1908, it was found that only 37 cents of every premium dollar went for the payment of benefits to the injured worker; in Iowa, only 28 cents went for the payment of benefits.¹

1. Herman and Anne Somers, *Workmen's Compensation* (New York: Wylie and Sons, 1954), 24.

The early laws creating workers' compensation responded to the unique problems associated with providing compulsory insurance coverage by establishing State workers' compensation insurance Funds. It was intended that State Funds would provide a guaranteed source of insurance coverage and operate on a non-profit basis. These State Funds would protect employers from the uncertainties of underwriting decisions based solely on the profit motive and would guarantee that workers' compensation insurance be provided to employers at the lowest possible cost.

Recognition of the need to establish a workers' compensation system brought with it a responsibility to provide an effective, efficient, and equitable delivery system. In recognizing this responsibility, 18 States established State Funds in their workers' compensation laws between 1911 and 1925.²

2. David McCahan, *State Insurance in the United States* (Philadelphia: U. of Pennsylvania Press, 1929), 6-7.

Workers' Compensation Systems

The establishment of State Funds meant that many employers finally had an alternative for insuring their workers' compensation liability. Today, where an employer is required or elects to insure his liability, he may do so through a private carrier or through a State Fund if one is available in his State. In those States that permit self-insurance the employer may assume the liability himself.

Not all of these options are available in all States or Territories. Guam and Texas require that an employer insure his liability with a private carrier. Eight jurisdictions, including Puerto Rico and the Virgin Islands, have an exclusive State Fund and require all employers to insure with it, except that three also permit self-insurance. Thirty-two jurisdictions allow self-insurance coverage or coverage through private carriers. Twelve States offer all three options, self-insurance, insurance through a competitive State Fund, or insurance through private carriers.³ In Canada, all Provinces have boards or commissions with complete jurisdictional and administrative powers in matters relating to workers' compensation. These boards are similar in concept and organization to exclusive Funds.

3. See Exhibits 1 and 2.

EXHIBIT I

TYPES OF WORKERS' COMPENSATION SYSTEMS
IN THE UNITED STATES AND ITS TERRITORIES

A. Exclusively by private insurance:

GUAM TEXAS

B. By private insurance or by authorized self-insurance:

ALABAMA	MASSACHUSETTS
ALASKA	MINNESOTA
ARKANSAS	MISSISSIPPI
CONNECTICUT	MISSOURI
DELAWARE	NEBRASKA
DISTRICT OF COLUMBIA	NEW HAMPSHIRE
FLORIDA	NEW JERSEY
GEORGIA	NEW MEXICO
HAWAII	NORTH CAROLINA
ILLINOIS	RHODE ISLAND
INDIANA	SOUTH CAROLINA
IOWA	SOUTH DAKOTA
KANSAS	TENNESSEE
KENTUCKY	VERMONT
LOUISIANA	VIRGINIA
MAINE	WISCONSIN

C. Exclusively by State Fund:

NEVADA	PUERTO RICO
NORTH DAKOTA	VIRGIN ISLANDS
	WYOMING

D. By either State Fund or authorized self-insurance:

OHIO WASHINGTON WEST VIRGINIA

E. By any one of three means: Private insurance, State Fund or authorized self-insurance:

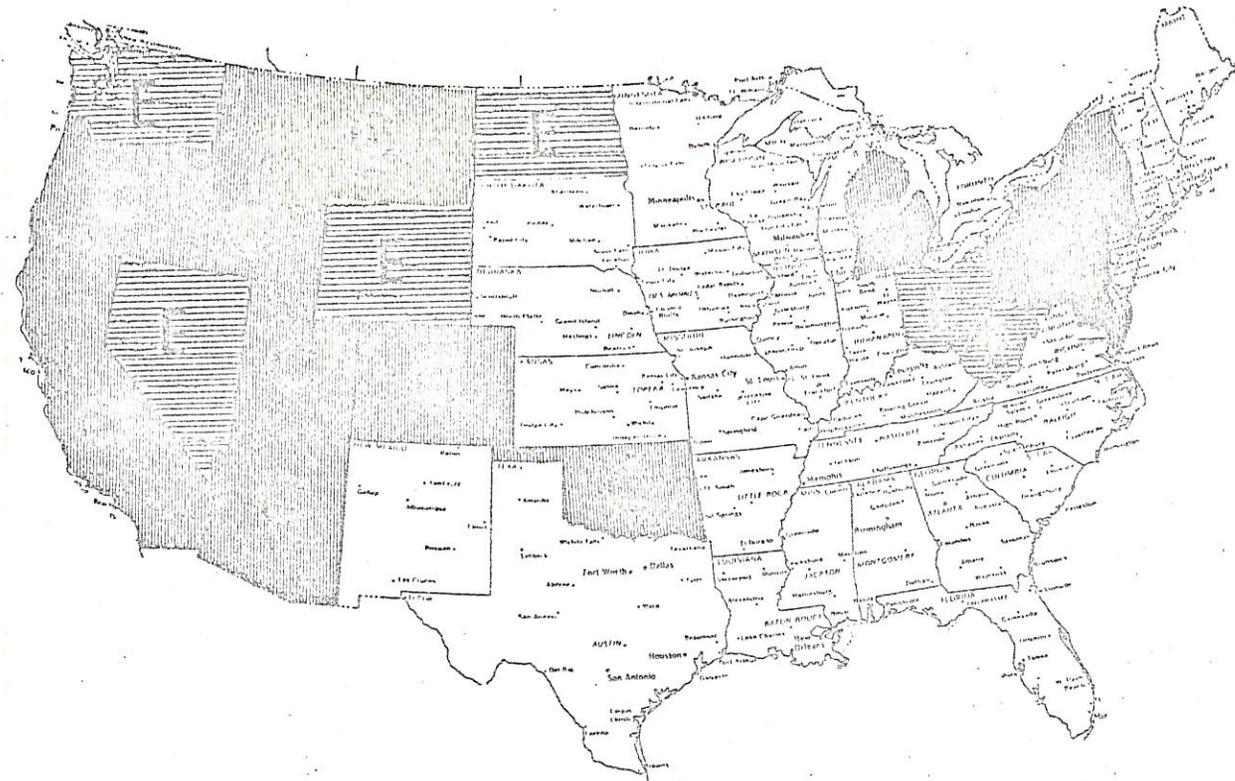
ARIZONA	MONTANA
CALIFORNIA	NEW YORK
COLORADO	OKLAHOMA
IDAHO	OREGON
MARYLAND	PENNSYLVANIA
MICHIGAN	UTAH

Source: AASCIF Minutes, Exhibits, and Attached Documents, 1969.

EXHIBIT 2

COMPETITIVE AND EXCLUSIVE STATE FUNDS IN THE UNITED STATES

six



E- States with exclusive Funds
C- States with competitive Funds

Source: Same as Exhibit 1.

Advantages of State Funds

While both exclusive and competitive State Funds share major advantages over private carriers, there are some differences between the two types of Funds.

Because all employers in an exclusive state must insure with the State Fund, no sales force is required and therefore no acquisition cost is incurred. Administration can be simpler because these State Funds need issue no policies and need not develop and administer marketing programs. Exclusive Funds make their own rates rather than relying on an independent bureau or the National Council on Compensation Insurance. Policyholder surplus is generally used by exclusive Funds to reduce rates for the succeeding rating period, while the practice of most competitive Funds is to return the surplus to policyholders in the form of dividends.

The significant differences in insuring workers' compensation liability, though, lie not between exclusive and competitive State Funds but between State Funds and private insurers.

A major advantage of all State Funds is that they assure employers in their States a ready resource through which to insure their workers' compensation liability. In these States, every employer is assured of a ready and available market for workers' compensation insurance

coverage, irrespective of premium size, nature of business, or loss history. In non-State Fund states, certain employers can be subjected to the vagaries of underwriting decisions of private insurers and obtain coverage only at additional cost or with the stigma of being placed in an assigned risk plan.

The object of State Funds is not profit, but rather to provide insurance at the lowest possible cost to employers and to provide prompt, equitable treatment and benefits to injured workers. Their motivation arises from social responsibility consistent with the concepts of workers' compensation rather than the production of profits. It should be remembered that workers' compensation has historically been the single most profitable line of insurance for stock insurance carriers and the second most profitable line of insurance for mutual insurance carriers.⁴ These profits of private insurers in workers' compensation must be developed from the excess of premium to losses and from investment earnings. The State Funds either return these "profits" back to employers in the form of dividends or offer lower rates.

In addition to providing workers' compensation insurance on a non-profit basis, State Funds can also assist employers to realize additional savings because of their outstanding record of operational efficiency. An important characteristic of State Funds is that their overhead expense ratios are consistently and significantly lower than that of private insurers.⁵ This low administrative cost reflects a concern for efficiency and economy of operations not evident in most social programs or even business enterprises.

Another advantage of State Funds is that they specialize in workers' compensation insurance. Workers' compensation is their only endeavor and receives the devotion of their entire energies and resources.* This

4. Marcus Rosenblum, ed., *Compendium on Workmen's Compensation* (Washington, D.C.: National Commission on State Workmen's Compensation Laws, 1973), 270-271, Table 16.3.

5. See Exhibit 3.

*Note: The only exception is the New York State Insurance Fund which furnishes statutory disability benefits to employers.

EXHIBIT 3

AVERAGE EXPENSE RATIOS BY TYPE OF INSURERS
1960 - 1974 *

STOCK CARRIERS	22.0%
MUTUALS	16.8%
STATE FUNDS	9.4%

Note: Excludes Loss Adjustment Expense

Source: Compendium on Workmen's Compensation,
Table 16.2, p. 270 and p. 272.

Best's Aggregates and Averages,
Property-Liability, 1971-74 editions.

AASCIF Statistics Committee Reports,
1974-75.

Argus F.C. & S. Charts, 1973 and
1975 editions.

specialization produces an in-depth knowledge and expertise that has formed the cornerstone for many significant advances and innovations in workers' compensation. State Funds have pioneered in such areas as rehabilitation and the application of new technologies in the creation of more effective delivery systems. The Ontario workers' compensation system, for example, has often been cited for excellence in rehabilitation. The President's White Paper on Workers' Compensation noted "... the Ontario inquiry system appears to provide higher quality services at considerably lower costs. For example, both rehabilitation and the treatment of permanent partial disabilities seem to be handled well in Ontario."⁶ The State Fund of Washington has long demonstrated leadership in the practice of the total rehabilitation concept. The Fund owns and operates an in-resident rehabilitation center with physical restoration, vocational evaluation, counseling, and job placement services. New technology also occupies a prominent place in State Funds' adjustment of workers' compensation claims. The State Funds of California and Oregon have developed and implemented a team approach with computer-based systems for the management of their workers' compensation claims. These are but a few examples demonstrating the positive effects of specializing in workers' compensation.

Another beneficial effect of specialization has been the State Funds' record of providing efficient, comprehensive service to the employer and injured worker. Many private insurers writing workers' compensation insurance do not have a large enough premium volume in any concentrated geographical area to warrant the level of expenditures necessary to provide full and complete services. In contrast, State Funds have a significant market share in virtually every State where they are in existence; therefore, it is economically feasible and practical for them to provide a full range of workers' compensation services to their insured employers.⁷

6. U.S. Department of Labor, U.S. Department of Commerce, U.S. Department of Housing and Urban Development: White Paper on Workers' Compensation (Washington, D.C., 1973).

7. See Exhibit 4.

EXHIBIT 4

1974 PREMIUM VOLUME AND MARKET SHARES
OF TWELVE COMPETITIVE STATE FUNDS

State	Premium Volume (millions)		Market Share
	Total	State Fund	
ARIZONA	105.0	37.8	36.0%
CALIFORNIA	1014.5	232.0	22.8%
COLORADO	57.0	26.7	46.8%
IDAHO	29.6	5.6	18.9%
MARYLAND*	110.4	5.5	5.0%
MICHIGAN*	362.7	17.4	4.8%
MONTANA	31.6	14.7	46.5%
NEW YORK	543.0	133.7	24.6%
OKLAHOMA*	65.5	6.8	10.4%
OREGON	182.0	111.8	61.4%
PENNSYLVANIA*	238.2	15.1	6.6%
UTAH	16.7	9.4	56.3%

**Note: Only Maryland, Michigan, Oklahoma, and Pennsylvania do not have the leading market share in their respective states. It should be noted that Maryland and Oklahoma are not "fully" competitive Funds. Maryland historically has not actively solicited business, while Oklahoma is prohibited from doing so.*

Source: AASCIF Statistics Committee Reports, 1974-1975.
National Council on Workers' Compensation Insurance.

There is also a fiscal benefit derived by states having a State Fund. Revenue generated by a State Fund through benefits paid, premium collected, and salaries and expenses for operations remains essentially in that particular state. Investments frequently provide a boon to the economy of the State Fund state.

In some states, for example, State Fund reserves are invested in home mortgages, loaned to local businesses, and have been borrowed by the state to construct buildings. This kind of economic benefit is not typical of private insurers whose profits often will be spent and reserves invested outside of the state in which they were earned.

The Impact of State Funds on Workers' Compensation Systems

From their inception, State Funds have had significant impact on workers' compensation systems. State Funds were created as a guaranteed source of insurance for employers and as a means to assure the full measure of benefits for injureds. Their excellence in fulfilling this role has been amply demonstrated over the years.

Perhaps the most salutary effect State Funds have had has been to furnish a yardstick for the cost of workers' compensation insurance against which the performance of private carriers can be measured. Nowhere is this effect more apparent than in the maintenance of a low expense ratio and the reduction of net premium cost for employers.

The average expense ratio for State Funds has varied little from the 11% level they achieved in 1925.⁸ In fact, the average expense ratio for Funds from 1960 through 1974 was 9.4%.⁹ This consistently low expense figure has forced the private insurance industry to lower their expense ratios over the years to a more acceptable level. It should be noted, however, that the average expense ratio for mutual carriers is still more than 50% higher than the average expense ratio for State Funds.¹⁰ The average expense ratio for stock carriers is over 200% higher.¹¹

8. McCahan, 128-131. (Note: Average extrapolated between 5.9% for exclusive Funds and 15.6% for competitive Funds.)

9. See Exhibit 3.

10. Ibid.

11. Ibid.

State Funds have also set standards of performance for reducing the net premium cost for employers through rate discounts and the payment of dividends. Prior to the creation of State Funds the concept of non-profit insurers returning their surplus to policyholders in the form of dividends was unheard of in the United States. The State Funds' pioneering efforts in cost reduction encouraged the private insurance industry to seek an alternative method to provide lower premium costs to employers. The industry accomplished this through the formation of mutual carriers. Interestingly, these carriers emulated the competitive State Funds in two very significant ways — they were established to be non-profit and to be direct writers of workers' compensation insurance.

State Funds have also had significant impact on the workers' compensation insurance market itself. There are twelve states in which employers have the option of securing coverage with the State Fund or with private carriers. In eight of those twelve states the State Fund is the leading carrier in premium volume.¹²

This impact on the workers' compensation insurance market is as visible today as it was when State Funds first came into being. Between 1970 and 1974, State Funds' overall share of the market actually increased from 35.8% to 38.7%.¹³

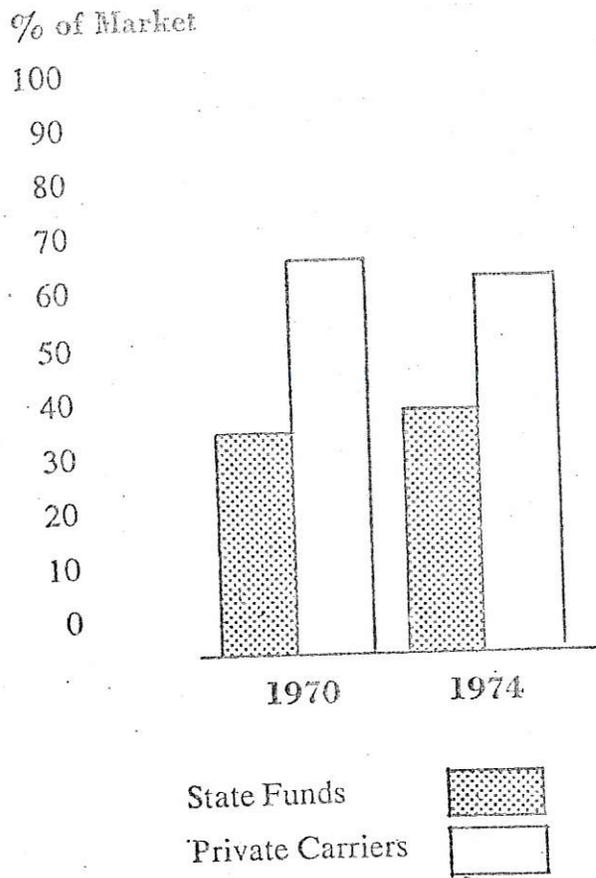
12. See Exhibit 4.

13. See Exhibit 5.

EXHIBIT 5

EARNED PREMIUM AS SHARE OF MARKET
STATE FUNDS VS: PRIVATE CARRIERS

Comparison of Years 1970 and 1974



Source: AASCIF 1976 Statistics Committee Report.

American Association of State Compensation Insurance Funds

The American Association of State Compensation Insurance Funds was founded in 1943. The constitutional purposes of the Association are to advance the principles of State Compensation Insurance Funds and to foster activities, legislation and the exchange of information in their well-being.

Currently, there are twenty-five active members of AASCIF—seventeen United States Funds, six Workmen's Compensation Boards of Canada, and the State Insurance Funds of Puerto Rico and the Virgin Islands.¹⁴

State Funds, collectively, have a mission that is forthright and clear—to take a position of leadership in the provision of service to employers and injured workers and in the reformation and improvement of workers' compensation.

14. See Exhibit 6.

In support of this mission, the American Association of State Compensation Insurance Funds has a threefold commitment:

1. Through the effective and efficient operation of its member Funds, to provide:
 - ... an assured market for employers to secure workers' compensation coverage;
 - ... adequate, prompt, and equitable benefits to injured workers and their dependents;
 - ... the best medical care and rehabilitation with the goal of the earliest possible return to work and total restoration of the injured employee;
 - ... service and assistance in the prevention of accidents and occupational disease.
2. To work for the improvement, refinement, and preservation of state workers' compensation systems.
3. To actively provide resources and support for the adoption and establishment of State Funds in those states not currently served by Funds.

EXHIBIT 6

MEMBERSHIP

AMERICAN ASSOCIATION
OF
STATE COMPENSATION INSURANCE FUNDS
PROVINCES OF CANADA

The Workmen's Compensation Board of Alberta
Workmen's Compensation Board of British Columbia
The Workmen's Compensation Board of Manitoba
Workmen's Compensation Board of New Brunswick
The Workmen's Compensation Board of Newfoundland
The Workmen's Compensation Board of Ontario

UNITED STATES

State Compensation Fund of Arizona
State Compensation Insurance Fund of California
State Compensation Insurance Fund of Colorado
State Insurance Fund of Idaho
State Accident Fund of Maryland
Michigan State Accident Fund
Workmen's Compensation Division of Montana
Nevada Industrial Commission
North Dakota Workmen's Compensation Bureau
The Industrial Commission of Ohio
State Insurance Fund of Oklahoma
State Accident Insurance Fund of Oregon
State Workmen's Insurance Fund of Pennsylvania
State Insurance Fund of Puerto Rico
State Insurance Fund of Utah
Government Insurance Fund of the Virgin Islands
Department of Labor and Industries of Washington
West Virginia Workmen's Compensation Fund
Workmen's Compensation Department of Wyoming

Source: AASCIF 1976 Roster.

The Future

State workers' compensation laws are undergoing rapid and substantive changes. These laws have been and will continue to be under close scrutiny and examination in order to determine if they are adequately fulfilling the social purpose for which they are intended. The Report of the National Commission on State Workmen's Compensation Laws heralded the advent of broad scale workers' compensation reform in the United States. The Commission's conclusion that "workmen's compensation laws in general are inequitable and inadequate" was thoroughly documented.¹⁵ In 1974, the Council of State Governments found that "The Report of the National Commission has had a salutary effect on state workmen's compensation programs."¹⁶ In fact, the Commission's findings have been the stimulus for more workers' compensation legislative activity among the states than has occurred since the inception of the system. Despite the accelerated legislative

15. Report of the National Commission of State Workmen's Compensation Laws, (Washington, D.C., 1972), 119.
16. Council of State Governments, Workmen's Compensation and Rehabilitation Law (Lexington, Kentucky, July 1974).

progress, and the efforts of State Funds, the workers' compensation insurance industry, and the Federal Interdepartmental Task Force,* the ultimate result of the changes set in motion by the National Commission is not yet predictable.

However, two major questions regarding workers' compensation will probably be answered in the near future. First, should workers' compensation remain a separate system or would it be more desirable and efficient to integrate it with Federal programs involved in the delivery of health care and income maintenance benefits? Second, if workers' compensation is to remain a separate and distinct system, should it remain within the administrative jurisdiction of each state or be administered under a Federal program?

The answers to these questions and the resolution of associated issues are of vital concern to AASCIF. While AASCIF concurs with the National Commission that "State workers' compensation systems are overdue for improvement and reform,"¹⁷ it does not support the proposed federal legislation embodied in S. 2018 and its companion bill H.R. 9431. In its Statement of Position on S. 2018, AASCIF declared:

**Note: Created as a result of "The White Paper on Workers' Compensation." The task force with participation by the Departments of Labor, Commerce, HEW and the Federal Insurance Administration of HUD provides technical assistance, information and other aid to the states.*

17. AASCIF Executive Committee, Statement of Position on S. 2008 (Phoenix, Arizona, January, 1974). (S. 2008 is the now defunct precursor to S. 2018.)

The public confidence in the federal government today most certainly will not be enhanced by a divisive approach to state workers' compensation improvement. This threat of divisiveness suggests the chaos which could result from the enactment of S. 2018 in its present form. Those who would suffer from such chaos are those who have already suffered enough — the injured working men and women of America. AASCIF stands firm in the view that a cooperative federal-state approach to state workers' compensation improvement and continuation of the demonstrated impetus for such improvement is the best method in which the federal government can aid the states in achieving workers' compensation change.¹⁸

AASCIF and its member State Funds also concur with the National Commission that if the necessary reforms are effected in State workers' compensation systems, these systems should be retained. In the words of the Commission, "Finally, no other delivery system is generally superior to workmen's compensation. This Commission has seen no evidence to suggest that Federal programs are better administered than State workmen's compensation programs."¹⁹

AASCIF believes that current state workers' compensation systems should be retained and is dedicated to effecting reforms and improvements that will strengthen those systems.

18. AASCIF Executive Committee, Statement of Position on S. 2018 (Phoenix, Arizona, October, 1975).

19. National Commission, 120.

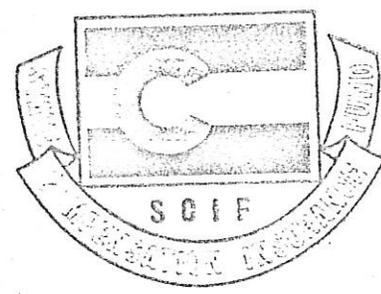
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TX

COLORADO

STATE COMPENSATION INSURANCE FUND



EMPLOYER'S GUIDE ON WORKMEN'S COMPENSATION

Centennial Building
1313 Sherman St.
Denver, CO 80203

Serving Colorado Employers Since 1915

State Compensation Insurance Fund
Centennial Building
1313 Sherman St.
Denver, CO 80203

Atch. TX

WORKMEN'S COMPENSATION INSURANCE GUIDE

This guide is primarily for employers. Its purpose is to familiarize the employer with the many facets of workmen's compensation insurance. Many of the subjects to be discussed cannot be covered in their entirety and excerpts from the law are not complete in all cases. (Copy of Workmen's Compensation Act available through the Division of Labor.) However, our representatives in Denver, Pueblo, Greeley and Grand Junction will be happy to answer your questions and assist you in every way possible. Please call, write or visit us at the following locations:

Centennial Building
1313 Sherman Street
Denver, Colorado 80203

Policyholders' Services	892-3541
Claims	892-2001
Auditing	892-3426
Administration	892-3135
Accident Prevention	892-3594
Legal	892-3295
Accounting	892-2803
Data Processing	892-3389
Statistics	892-3300

America Pueblo — Suite 105 635 West Corona Street Pueblo, Colorado 81004	544-9035
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Lincoln Plaza Building 1020 Ninth Street — Room 4B Greeley, Colorado 80631	356-8283
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Valley Federal Plaza 225 North Fifth Avenue — Suite 311 Grand Junction, Colorado 81501	242-2401
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The State Compensation Insurance Fund was established on August 1, 1915, when the legislature enacted the Workmen's Compensation Act. The name, Workmen's Compensation, has recently been changed by the Federal Government and many states to Workers' Compensation.

The Colorado Occupational Disease Disability Act became effective on January 1, 1946. On September 1, 1975, the Workmen's Compensation and The Occupational Disease Disability Acts were merged into one Act.

The Fund is self-supporting and does not rely on any tax monies. It is allowed to discount the rates used by private companies; in addition, it pays dividends to policyholders with good safety records.

The Fund is dedicated to paying claims promptly and providing a continuing information program advising both employers and employees about important changes in the Workmen's Compensation Act.

STATE COMPENSATION INSURANCE FUND — Although the Manager is vested with the full jurisdiction of the administration of the Fund, there are a number of checks and balances by which the Fund is regulated.

THE STATE INSURANCE COMMISSIONER — Shall require from the Fund's Manager, reports as to the condition of the Fund, as required by Law, and which are made by other insurance companies in the state.

STATE AUDITOR — An annual audit shall be made by the State Auditor. A report of such audit shall be transmitted to the Governor, General Assembly, Executive Director of the Department of Labor and Employment, the Industrial Commission, and the Policyholders Advisory Council.

EXECUTIVE DIRECTOR OF THE DEPARTMENT OF LABOR AND EMPLOYMENT — With the consultation and advice of the Manager and the Insurance Commissioner, shall employ the services of qualified actuaries to examine and advise the Fund.

INDUSTRIAL COMMISSION — Is required to approve investments made by the Fund; approve rate changes; adopt Rules and Regulations relative to the ad-

ministration of the Fund; establish the Fee Schedule for physicians and surgeons.

POLICYHOLDERS ADVISORY COUNCIL — Composed of thirteen members, twelve of whom are appointed by the Governor, the other, the Insurance Commissioner, shall be a member *ex officio*. One member each from the Senate and The House of Representatives, eight employers insured by the Fund, or their representatives, and two employees who shall be employees of employers who are insured by the Fund. The duty of the Council is to assist the Manager and the Industrial Commission in the exercise of their respective powers, authority, and jurisdiction over the Fund.

IMPORTANT PROVISIONS ABOUT THE LAW

EMPLOYERS SUBJECT TO THE LAW — The State, and every county, city, town, and irrigation, drainage, and school district and other taxing districts therein, and all public institutions and administrative boards thereof, without any regard to the number of persons in the service of any such public employer.

Every person, association of persons, firm, and private corporation, personal representative, assignee, trustee, or receiver, who has one or more persons engaged in the same business or employment.

EMPLOYEE — The term "employee" means any person engaged under any appointment or contract of hire, express or implied to furnish services for remuneration. "Employee" also includes any person elected or appointed by a state, county, city, town, school district, or any other political subdivision.

MINORS — A minor, injured in covered employment, is entitled to benefits of the law. The policyholder is fully protected by the State Compensation Insurance Fund for Workmen's Compensation liability, but may be subject to penalty by the Division of Labor if he is employing minors contrary to labor laws.

CONTRACTORS AND LESSEES — Any person, company or corporation operating or engaged in or conducting any business by leasing, or contracting out any part, or all the work thereof to any *uninsured* lessee, sublessee, contractor, or subcontractor, shall be liable to

pay compensation in the event of injury or death to said lessees, etc., and their employees or employees' dependents. The person, company, etc., who does not already have their insurance should insure their liability before commencing work. The employer shall be entitled to recover the cost of such insurance and may withhold it from the contract price, or any other monies due the lessee, etc.

REPAIRS TO REAL PROPERTY — Every person, company or corporation owning any real property or improvements thereon and who contracts out any work done to said property is subject to the same conditions as mentioned in the preceding paragraph (Contractors and Lessees).

EXCEPTIONS — Employees of charitable, fraternal, religious, or social employers who are elected or appointed to serve in an advisory capacity and receive an annual salary, or an amount *not* in excess of seven hundred fifty dollars and are not otherwise subject to the Workmen's Compensation Act of Colorado.

Employers of casual farm and ranch labor or employers of persons who do casual maintenance, repair, remodeling, yard, lawn, tree, or shrub planting or trimming, or similar work about the private home or place of business, trade, or profession of the employer, if such employers have no other employees subject to the Act, if such employments are casual and are not within the course of the trade, profession of said employers, and if the total amount paid to all casual persons does not exceed 2,000 dollars for any calendar year.

DONATED OR VOLUNTEER LABOR — Volunteer or donated labor is not covered unless specifically included under the Workmen's Compensation Act.

TEMPORARY EXCEPTIONS — Farm and ranch labor, if the amounts expended for wages do not exceed 10,000 dollars for the calendar year 1976; thereafter, effective January 1, 1977, this group will be included with all other employers subject to the Act.

PENALTY FOR FAILURE TO COMPLY — In cases where the employer has not complied with the law, or has allowed his policy to lapse, the employee, if injured or, if killed, his dependents may claim the compensation benefits as provided under the law, plus an additional fifty percent.

INJURY OUTSIDE OF THE STATE — If an employee who has been hired, and is regularly employed in this state, receives personal injuries by an accident arising out of and in the course of such employment outside of the state, he shall be entitled to compensation according to the law of this state. This coverage applies for a period of 6 months after leaving the state, unless prior to the expiration of such six month period, the employer has filed with the Division of Labor notice that he has elected to extend such coverage.

RECIPROCAL AGREEMENTS — Over the years, Colorado has entered into agreements with the following states: California, Nevada, New Mexico, North Dakota, Oregon, Rhode Island, South Dakota, Utah, Wyoming, Montana, Washington, Idaho, and Arizona.

With the exception of Arizona, the agreements with the other states are similar in that they say, in effect, that the state or states in question will allow Colorado employers to bring Colorado employees into the state and work temporarily for a period of up to six months. Employees hired in the host state must be insured under the laws of that state. The Colorado employer must request of his insurer or the Division of Labor, a six month reciprocal agreement certificate. The Division of Labor will then make a formal request to the state or states in question, to receive their required approval.

The agreement with Arizona is somewhat different:

1. The employer must, first of all, have coverage with both the Colorado Fund and the Arizona Fund.
2. Arizona employees working in Colorado may receive full workmen's compensation benefits in Arizona, if injured in Colorado. The insured will pay the premium for these employees, only to the State Fund of Arizona.
3. Colorado employees working and injured in Arizona will receive Arizona workmen's compensation benefits. The wages for these employees will be reported to the Arizona Fund for premium purposes.

INFORMATION ABOUT YOUR STATE FUND INSURANCE POLICY — The employer bears the full cost of the insurance. The law prohibits any portion of

the insurance premium being paid by an employee (exception — uninsured subcontractors).

The policy renews automatically each year on the first day of its anniversary month, unless prior notice of cancellation has been received or given.

The Fund writes its policy payable on an Annual or Quarterly Premium Adjustment basis.

ANNUAL PREMIUM ADJUSTMENT — The payroll is estimated for one year and the estimated premium is paid within twenty days of the effective or renewal date of the policy.

QUARTERLY PREMIUM ADJUSTMENT — DEPOSIT PREMIUM — Reports of payroll are made and premium paid each calendar quarter.

The deposit premium is not less than 25% of the estimated annual premium with a minimum deposit of \$100. The deposit will be retained by the Fund until the coverage is terminated. It is then credited to the final premium adjustment. The deposit cannot be used for current premium payments.

INDIVIDUAL COVERAGE — Owners — Partners — The assumed wages for individuals or partners who have elected to be covered under the policy is \$10,400 per year.

CORPORATE OFFICER COVERAGE — All active Corporate Officers must be covered at their actual salary with a minimum annual payroll of \$10,400 and a maximum of \$15,600.

CHANGES IN OWNERSHIP — Your policy is not transferable, nor assignable. When changes in ownership occur, the Policyholders' Services Section of the Fund should be notified immediately. Coverage for different kinds of business operations or new locations must be added to the policy by endorsement. Prompt notification will prevent denial of claims and keep your coverage current.

PREMIUM RATES — The Fund subscribes to the National Council on Compensation Insurance. Among other services, the Council gathers premium and loss information from all workmen's compensation insurance carriers in the State on a continuing basis. Based upon this information, manual rates are then developed, usually annually, for the several hundred classifications used in Colorado. Once the Fund has the approval of the Industrial Commission on the rates, it

discounts these rates. Effective January 1, 1977, the discount will be 25% on all classifications.

LOSS AND EXPENSE CONSTANTS — These are flat charges applicable to policies which produce a premium of less than \$350. Studies have shown that small risks produce higher loss and expense ratios than large risks — the flat charges tend to level these ratios.

MINIMUM PREMIUM — The lowest dollar amount for which a policy may be written or issued for a period not exceeding one year.

EXPERIENCE RATING — An incentive to greater safety is the experience rating plan. To qualify, the insured must have a premium during the year, or the last two years, of \$1500 or more, or if the premium developed during a period of more than two years produces an average of \$750.

A new employer will qualify for rating at the beginning of the third year, provided the premium qualification is met the first policy year. The insured's actual experience is measured against his expected losses; the result has the effect of lowering, or raising the premium.

If separate policies are issued to separate entities, the Experience Rating Plan provides for the combining of two or more entities when the same person, group of persons, or corporations own a majority of interest (more than 50% common ownership). This means the experience is pooled and their modification will be identical. The experience modification factor will, in most cases, change each year. The experience period shall normally not be more than three years (commencing four years prior, and terminating one year prior to the date for which an Experience Modification is to be established).

STATE FUND DIVIDENDS — A further incentive to safety is the dividend. The amount is determined by subtracting the incurred losses from the earned premium and applying the applicable dividend percentage rate to the difference. If the losses exceed the premium, no dividend is paid. No dividend of less than \$5.00 is paid. The declaration of a dividend depends on earnings and surplus.

REMUNERATION SUBJECT TO PREMIUM — The basis for premium is gross remuneration, the money rate at which service rendered is compensated, and includes in addition to gross cash salaries and

wages, commissions, bonuses, extra wages for overtime work, wages for holidays, vacations, or sickness periods, the market value to the employee of meals, rent, store certificates, merchandise credits, tips or any other substitute for money as well as payments or allowances to employees for hand powered tools furnished by employees.

OVERTIME — Payments for overtime in excess of the straight time rate of pay are excludable. Employers must maintain payroll records which clearly show by individual employee and classification summary, the wages paid in excess of the straight time rate. Increased pay rates over standard rates for swing, graveyard shifts, night crews, or for working certain hours, are standard rates for those hours and no part is excludable.

SUBCONTRACTOR'S EMPLOYEES — If the principal or general contractor cannot furnish a true statement of the payroll of the employees of any uninsured subcontractor, the entire contract price of such subcontracted work shall be considered as the payroll of employees of that uninsured subcontractor, except where after investigation in any particular case, a definite portion of the entire contract price is established as representing the payroll of the subcontractor's employees; provided, however, that in the case of contracts involving labor and materials the amount taken as payroll shall in no event be less than 50% of the contract price.

AUDITING — The premium is adjusted each year by audit. The payroll of any one employee shall *not* be divided between two or more classifications. The entire payroll of each employee shall be assigned to the highest rated classification representing any part of the work. This rule does not apply in the case of construction, erection, stevedoring work, or part-time aircraft operation in connection with Classification 7421, aircraft operation in connection with the transportation of personnel, provided original records disclose the proper allocation of the individual employee's time.

MAXIMUM REMUNERATION — If the employer's books and records are maintained to clearly show by individual employee and classification summary, the total remuneration earned for each employee whose *average* weekly remuneration for the total time employed during the policy period exceeds \$300 per week after making any deductions permitted under the

Permanent total disability	Loss of both hands or both arms, or both legs, or both eyes, or any two thereof, or of any total loss of earning capacity.	66 2/3% of average weekly wage, not to exceed 80% of the state's average weekly wage to continue until the death of such person.
Facial or body disfigurement	Serious permanent disfigurement about the head, face, or parts of the body normally exposed to public view.	In addition to other compensation — benefits not to exceed \$2000.
Burial expenses	When as a proximate result of injury, death occurs to an employee	Not to exceed \$1000

Death benefits are payable to a wholly dependent widow or a widower for life, or until remarriage, unless there are dependent children. In the event of remarriage of a widow or widower with no dependent children, a two-year lump sum benefit will be paid the spouse without discount.

MAJOR MEDICAL INSURANCE FUND ACT —

Tax imposed — established to defray medical, surgical, hospital nursing, and drug expenses, which are in excess of those provided by the Colorado Workmen's Compensation Act for employees who have established their entitlement to disability benefits of \$20,000 under said Act. The Major Medical Fund is supported by insurance carriers and self-insured employers by an annual tax of 1 1/4% of each hundred dollars of premium earned.

PAYMENT TO EMPLOYER — Any employer who continues to pay full wages to any employee temporarily disabled as the result of a job incurred injury, shall be reimbursed, if insured by an insurance carrier, or shall take credit, if self-insured, to the extent of all monies that such employee may be eligible to receive as compensation, or benefits for temporary partial or temporary total disability. Such payments shall be paid directly to the employer during the period of time that such employer continues the payment of full wages (Section 8-52-107). These payments will constitute the payment of compensation benefits to the employee, and cannot be charged against the employee's sick leave or annual leave, if you have such a plan.

In making application to the Division of Labor, the employer should set forth the basis for eligibility (i.e., contract of hire, Union contract, etc.).

The insured will be requested to acquire a rubber stamp with the numbers 8-52-107, approximately 3/8 of an inch high. The first report of accident is to be stamped, thus establishing eligibility to receive direct payment of the employee's benefits. It is very important that the first accident report be stamped; failure to do so, can result in the claimant being paid.

VOCATIONAL REHABILITATION — Effective 9/1/75, every employer, regardless of one's method of insurance, is required to provide vocational rehabilitation to the injured employee, if one is unable to perform work for which one has had previous experience or training. The employer, or his insurer, must furnish tuition, fees, transportation, and weekly maintenance equivalent to that which the employee would receive under temporary total disability benefits for that period of time that the employee is attending a rehabilitation course. Such services shall continue as necessary, not exceeding twenty-six (26) weeks. The Director of the Division of Labor, on good cause shown, may extend the rehabilitation program for an additional period not to exceed twenty-six weeks.

All the vocational rehabilitation cost, including maintenance, is considered medical benefits which has a maximum of \$20,000.

SCOPE OF SERVICES — Rehabilitation begins as soon as possible after the accident and involves the coordinated effort of the employer, State Fund personnel, and expert outside counseling services. The ultimate goal is the early reentry of each injured person into the job market. With medical, vocational and psychological services, every effort will be made to place the individual in a new position within the physical limits imposed by the injury.

SUBSEQUENT INJURY FUND — When an employee has previously sustained a permanent partial industrial disability and due to a subsequent injury, he or she becomes permanently and totally disabled, the employer shall be liable only for that portion of the employee's industrial accident which occurred at the time of the subsequent injury. The balance due the employee as a permanent total is paid from the Subsequent Injury Fund. The fund is supported by carriers and self-insureds who contribute \$15,000 to the fund for every compensable fatality, when the deceased person

has no dependents, either wholly or partially dependent upon the deceased.

ACCIDENT PREVENTION SERVICE — Provides policyholders with safety engineering, accident prevention-loss control service, and safety program classes. At the end of each calendar year, each policyholder is provided with a computer runoff of all accidents, including claimant's name, date of injury, accident number, a brief description of the injury, and the amount of compensation and medical benefits paid in each case. Included with this information is a copy of the latest experience modification rating, if your company qualifies.

The Accident Prevention Specialists are safety engineers thoroughly versed in the occupational safety and health standards (both state and federal) and are capable of inspecting your premises and assisting you in meeting these standards.

The State Fund is not responsible for, nor is it in any way associated with the enforcement of these state and federal occupational safety and health laws.

Under the Colorado Occupational Safety and Health Program (COSH), employers that are required to maintain the records prescribed by OSHA, may fulfill the record keeping requirement for OSHA Form 101 by simply making a single extra copy of the "first report of accident," COSH 1010, and keeping it on file for five years.

The Accident Prevention Service has two brochures available. One, the Accident Prevention Manual, discusses the financial benefits, and outlines the basic elements necessary to assist you in producing a program of your own. The other, The Safety Rule Manual, sets forth a sample set of safety rules for your program, and advises you how to write your own manual. You may reproduce any part of these brochures you choose.

LEGAL SERVICES — The Fund maintains a legal staff whose function is to represent policyholders, and to defend and investigate questionable claims.

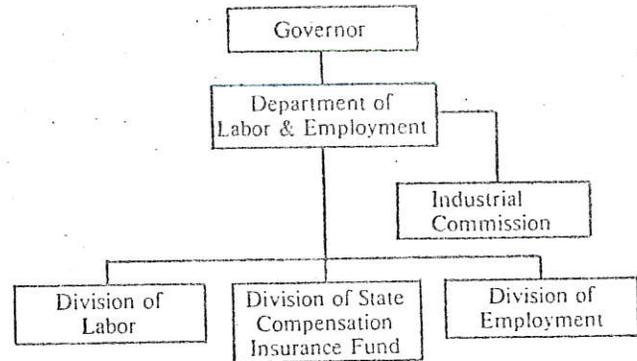
List of Management Personnel and Titles

Glenn W. Adams, Manager
Charles J. McGrath, Assistant Manager
Feay Burton Smith, Jr., Chief Counsel
Donald G. Harper, Controller

Supervisors:

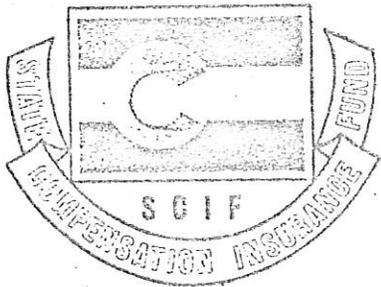
R. E. Boulton, Accident Prevention
George J. Clark, Policyholders' Services
Morey Katz, Data Processing
Joe L. Padia, Accounting
Gilbert D. Valdez, Auditing
Albert Sabo, Claims
Les Wortman, Statistics

Department of Labor and Employment Organizational Chart



SCIF

COLORADO



WORKMEN'S
COMPENSATION
FARM & RANCH GUIDE

CENTENNIAL BLDG.
1313 SHERMAN STREET
DENVER, COLORADO

"Serving Colorado Employers Since 1915"

X
COLORADO FARM AND RANCH GUIDE

The State Compensation Insurance Fund was established on August 1, 1915, when the Legislature enacted the Workmen's Compensation Act. The name, Workmen's Compensation, has recently been changed by the Federal Government and many states to Workers' Compensation.

The Colorado Occupational Disease Disability Act became effective on January 1, 1946. On September 1, 1975, the Workmen's Compensation and The Occupational Disease Disability Acts were merged into one Act.

The Fund is self-supporting and does not rely on any tax monies. It is allowed to discount the rates used by private companies; in addition, it pays dividends to policyholders with good safety records.

The Fund is dedicated to paying claims promptly and providing a continuing information program advising both employers and employees about important changes in the Workmen's Compensation Act.

PURPOSE

The purpose of this manual is to provide a comprehensive guide to farm and ranch coverage of Workmen's Compensation Insurance in Colorado. Included in this manual will be Industrial Commission rulings regarding specific parts of Workmen's Compensation law as it relates to the agricultural industry; State Fund interpretations of various parts of the law; descriptions of the different types of farms; other miscellaneous classifications that could apply to farms and ranches; and the various basis used for premium for auditing purposes.

COVERAGE PROVIDED BY THE WORKMEN'S
COMPENSATION ACT

Workmen's Compensation Insurance is designed to cover the employer's liability under the Workmen's Compensation Act for injury, death, or occupational disease to employees while working on the job. Workmen's Compensation coverage is designed to pay the injured employee's doctor bills, hospital medical bills, and if the employee is incapacitated, to the extent that he is unable to work for the prescribed period of time, he is then paid compensation based on his earnings. Effective 7-1-76, the weekly compensation payment for "lost-time" from the job is 66 $\frac{2}{3}$ % of the employee's average weekly wage, subject to a maximum of 80% of the State's average weekly wage and as determined, annually, by the Colorado Division of Labor. As of 7-1-76, the State's average weekly wage is \$228.80 and the maximum weekly compensation benefit is \$152.53. Compensation shall be payable as wages upon the 10th day after the

injured person leaves work. No payment is allowed for the first three days from the date of the accident unless the disability lasts longer than two weeks (14) days, in which event, compensation shall be paid retroactive from the day the injured employee leaves work. There are also benefits for partial or total disability and death benefits payable to the dependents of the deceased.

NOTIFICATION OF INJURY

Every employee who sustains an injury resulting from a job related accident shall notify his employer of said injury within two (2) days of its occurrence, unless said employee is physically or mentally unable to do so, or unless his employer or his foreman, superintendent, or manager, or any other person in charge has actual notice of said injury. If said employee fails to report the injury, he shall lose one (1) day's compensation for each day's failure to so report. If anyone reports the accident for said injured employee to his employer within the time specified, the injured employee shall be relieved from reporting the accident. Every employer shall in writing, upon forms prescribed by the State Compensation Insurance Fund for that purpose, report said non-lost-time injury, occupational disease or disability, permanent physical impairing injury, lost-time injury, or fatality to the Division within ten (10) days after notice or knowledge that an employee has sustained such an injury.

WHO IS REQUIRED TO INSURE UNDER THE WORKMEN'S COMPENSATION ACT?

Effective January 1, 1977, an employer of farm and ranch labor will be required to insure his liability as provided by the Workmen's Compensation Act if he has one (1) or more employees. An employer of "casual" farm and ranch labor or employers who hire direct employees to do casual maintenance, repair, remodeling, yard, lawn, tree or shrub planting or trimming, or similar work about the private home or place of business, trade or profession are not subject to the Workmen's Compensation Act if such employers have *NO OTHER EMPLOYEES* that are subject to the Act, and if the amount paid to said "casual" employees does not exceed \$2,000 for the calendar year. However, if an employer has other employees that make him subject to the provisions of the Act, then these "casual" employees would be includable under his policy, and a premium charge made for them based upon their payroll and classification. Or, if the employer had no other employees who make him subject to the provisions of the Act, but paid these "casual" employees more than \$2,000 in the calendar year, he would then be subject to the Act and they would be includable as employees and a premium charge made for them. Also, if the property owner contracts work on real property or the improvement to real property and

such subcontractor is uninsured, then the property owner is liable under the Workmen's Compensation Act. These uninsured subcontractors will also be includable under his policy and a premium charge made for them. Furthermore, if an employer conducts any or all of his business by lease or contract, he is **LIABLE** for injury and/or death to the lessee and his employees or employees' dependents, or subcontractor and his employees or employees' dependents, unless the lessee or subcontractor carries his own Workmen's Compensation policy (proof of Workmen's Compensation coverage by a lessee or subcontractor must be provided in the form of a physical certificate of insurance for the period involved). If the lessee or subcontractor does not have Workmen's Compensation insurance, then they will be included in the premium charge on the employer's policy and such employer is entitled to recover the cost of such insurance charge from the lessee or subcontractor and may withhold or deduct such cost from the contract price.

FAILURE TO COMPLY WITH THE WORKMEN'S COMPENSATION ACT

If an employer fails to insure his liability under the Act (by not purchasing Workmen's Compensation Insurance), and any of his employees are injured and entitled to Workmen's Compensation, the employer will become liable personally for benefits including medical and hospital expenses and weekly wage payments which may continue for the lifetime of the injured party. In addition to the cost of the employee's accident, the employer is further liable for a penalty of 50% of the cost of the accident for failure to insure; this penalty is levied by the Colorado Division of Labor. **NO TYPE OF INSURANCE OTHER THAN A "WORKMEN'S COMPENSATION POLICY" WILL PROTECT A FARMER OR RANCHER IN THE EVENT OF HIS EMPLOYEE'S INJURY.**

DEFINITION SECTION

CASUAL EMPLOYEE

Generally, is any person under any contract of hire, expressed or implied, employed for irregular periods and not within the usual course of the trade, business or profession. Before any person employed temporarily or for irregular periods on a farm or ranch may be considered as a "casual" employee under the Workmen's Compensation law, all of the following must be met:

1. Irregular employment
2. No other employees subject to the Act
3. Wages or earnings under \$2,000
4. The work is not within the usual nature of the business

EMPLOYEE

Basically, this means a person hired by another or by a business, to perform work or render services in return for remuneration, whether in the form of cash or a substitute for cash. This may include family members, regardless of age, sex, or relationship; part-time help, seasonal labor and any others to whom an employer/employee relationship extends. The following criteria can be used in determining if an individual would be a direct employee:

1. The right, duty, and power to control the individual would be the most important factors distinguishing an employee from a contractor.
2. The right of either party to terminate the relationship without liability.
3. A close relationship with the regular business.
4. A general employment in his regular business.
5. Control of detail in the method of work accomplishment.
6. Training.
7. Furnishes equipment.
8. Intent of parties involved.
9. Full-time.

FARM OR RANCH

A farm or ranch for the purpose of the application of Workmen's Compensation laws and rates shall be defined as any parcel or parcels of land used for the purpose of agriculture, horticulture, dairying, stock or poultry raising, as a business or commercial venture.

EXECUTIVE OFFICERS

The executive officers of a corporation are the President, Vice-President, Secretary, Treasurer and any other executive officers elected or appointed in accordance with the charter and by-laws of the corporation.

INSERVANTS - RESIDENCES AND ESTATES

The term as used here means all employees, by whatever name they may be called, engaged exclusively in household or domestic services performed principally inside the residence. This includes, but is not limited to, such employees as cooks, laundresses, maids, butlers, seamstresses, nurses, companions, governesses, or housekeepers. The term "occasional servant" or part-time, will mean all inservants whose employment is not continuous but whose duties are a regular and continuing part of customary household or domestic duties. This definition applies only where a fair estimate of the time

during which an occasional servant is employed is one-half or less of the customary full-time, otherwise a servant will be classified as a full-time servant and rated accordingly.

OUTSERVANTS

This classification is not available for use with farm operations.

EXCHANGE WORK

A reciprocal agreement, between or among farmers, whereby one farmer works for his neighbor, and instead of receiving pay, receives an agreement to perform work for him in the future.

VOLUNTARY LABOR

A strictly volunteer supply of labor or help to a person, business firm, etc. in which they have no legal concern or interest, whereby no contract of hire is involved or an employer/employee relationship established or intended.

LEASES AND RENTALS

The agreement, written or oral, is the determining factor.

LEASES GENERALLY: (guide lines only)

1. Control the second party's actions, when any or all of a person's business is contracted out to a second party.
2. Cannot be terminated without recourse.
3. Involve property or business in the same general nature as that of the principal contractor or lessor (landlord).
4. Give the lessee or tenant the use and possession of lands, buildings, etc. for a specified time and for fixed payments.

RENTALS therefore would generally tend to do the opposite from the above "guide lines" for leases, caution should be exercised on #4 above as rentals also can be for a specific period of time and for fixed amounts of payments.

REMUNERATION (PAYROLL)

These terms mean the same thing and include the following:

1. Gross wages before deductions.
2. Commissions.
3. Bonuses.
4. Extra wages for all overtime work.

5. Wages paid for holidays, vacations, or periods of sickness.
6. Payments made to employees for piece work, incentive plans, or profit sharing agreements.
7. Payments or allowances to employees for hand or power tools furnished by employees.
8. Value of room and board furnished to employees, including the fair market value of houses, rooms, or trailers (rental value), value of food or farm commodities given to employees, value of all utilities, gasoline, and telephones furnished employees.
9. Tips by persons other than the employer.
10. Any other payment of cash or substitute for cash not mentioned above.

CONTRACTOR AND SUBCONTRACTOR

Basically, is any individual or business, who assumes by "contract", written or oral, certain obligations of the principal employer usually to do specific work for a stipulated price.

BASES OF PREMIUM SECTION

GENERAL APPLICATIONS

The basis of premium, except as otherwise noted, is the entire remuneration, whether paid in money or a substitute for money, for services rendered by an employee. The payroll basis is then multiplied by the rate applicable to the employee's work classification(s) to determine the premium charge. The rate applies to every \$100 of payroll, or portion thereof, after credit is allowed for *premium overtime* earned and *excess earnings*, if they are applicable. Basically, overtime means those hours worked for which there is an increase in the straight time rate of pay. *Premium Overtime* is the wage increase paid above the straight time rate of pay i.e., if the straight time rate of pay is \$2.00/hr. and \$3.00/hr. for hours worked overtime, no charge will be made on the extra \$1.00/hr. premium pay for overtime. However, payroll records must clearly show this overtime pay by individual employee and in summary by work classification to be eligible for credit. *Excess Earnings* are those wages paid in excess of the average of \$300/wk. for the *length of time employed* during the policy period. No premium charge will be made on those wages paid over that average, but remember it is based on "*total length of time employed*" and not each week adjusted separately. Also, in the computation of any excess earnings, the premium overtime exclusion (see above), must be deducted before the payroll excess is computed.

Example: An employee works for a period of 10 weeks and then quits. His total earnings for that time were \$4,000, including \$200 *premium overtime* pay. The premium charge for this employee would then be computed on the following base:

Total Earnings	\$4,000.00
Less Premium Overtime	<u>200.00</u>
Total Straight Time	\$3,800.00
Less Excess Earnings*	<u>800.00</u>
Earnings Subject to Premium	\$3,000.00

*Excess Earnings = \$300 / wk. x 10 weeks = \$3,000.00
 \$3,800.00 - \$3,000.00 = \$800.00

PAYROLL DIVISION

Division of payroll will be allowed for each separate and distinct type of commercial farm operation as described by the Manual classifications, *provided separate records of payroll are maintained to reflect these payroll distinctions*; these divisions may include a breakdown by crop acreage in the event no other payroll division is available. **IN NO CASE WILL DIVISION OF PAYROLL BE ALLOCATED ON A PERCENTAGE BREAKDOWN BASIS.** In the event the employer's payroll records do not clearly reveal accurate breakdowns, as mentioned above, *the entire labor for the farm will be assigned to the highest rated classification describing any of the work performed.*

PAYROLL INCLUSIONS

In addition to the inclusions specified in the language of the classification, and those general inclusions as specified in the Manual, *each classification shall also include all normal repair and maintenance of buildings or equipment performed by employees of the farmer.*

PAYROLL EXCLUSIONS

The payroll of the following "employees" shall be segregated and separately rated:

1. Maintenance or repair work performed by contractors.
2. New construction or alterations, whether done by assured's employees or by contractors.
3. Fruit or vegetable packing performed away from the farm premises.
4. The operation of farm machinery away from the farm premises by the farmer for others.

INCIDENTAL CROPS

Activities such as the maintenance of a cow, hogs, or chickens for family use; a family orchard or truck garden; any hay, grain crops or other feed raised for the purpose of maintenance of animals on farms, shall be considered usual and incidental to the operation of any type of farm. Payroll for such work will be assigned to the classification to which it is incidental.

MISCELLANEOUS EMPLOYEES

The payroll for general supervision, household domestics (excluding inservants and occasional inservants which are rated on a per capita basis), choremen, chauffeurs not connected with any particular crop, fence repair and road building is incidental to any type of farm. Where adequate records showing labor cost distributed by crops are maintained, the payroll of such miscellaneous employees will be distributed among the various crop classifications in the same proportion as the allocated crop payroll bears to the total allocated payroll. If adequate records are *not maintained*, the payroll of such employees will be placed into the highest rated classification of work assigned to the policy.

CLASSIFICATION LANGUAGE OF "FARM"

Each classification shall contain the following exact language; FARMS—including all employees of whatever nature (other than inservants or occasional inservants) engaged upon or in connection with such farm, including drivers, outservants, occasional outservants, also managers, superintendents, and foremen. Payroll for employees described by the classification language shall be assigned to the applicable farm classification.

SPECIFIC AUDITING APPLICATIONS (alphabetically)

Note: in all instances consult the "Definitions Section" for any questions arising about the specific use of terms used below - this is a premium auditing basis section and assumes a working knowledge of terms in use.

AIRCRAFT FLIGHT AND GROUND OPERATIONS - GENERAL

Aircraft Operation - transportation of personnel in the conduct of the employer's business - all members of the flying crew (#7421). This classification applies to the payroll of pilots and all members of the flying crew. The *Executive Officers* or other employees' payroll on payroll basis is classified as #7421 or #7409 for those who engage in the operation of aircraft in the conduct of the employer's business. If the records of

the employer clearly indicate the weeks in which flying is performed by such employees;

1. Only the payroll for each week during any part of which the employee has engaged in flight duties shall be assigned to this classification, unless the classification applicable to the employee's non-flying operations carries a higher rate, in which event such classification shall apply and
2. the payroll for each week in which no flying has been done shall be assigned to those classifications which would otherwise apply. If the records of the employer do not clearly indicate the weeks in which flying is performed by such employees, the entire payroll for such employees shall be assigned to this classification, unless the classification applicable to the employee's non-flying operations carries a higher rate, in which event such classification shall apply.

Commercial aircraft operation and aerial applications are to be separately rated.

Ground crew and all other employees are rated under #7423.

Note: if the employer transports personnel, then the serial number, name, and type of aircraft must be sent to the insurance carrier for endorsement onto the policy. Also, the number of passenger seats, excluding the pilot and co-pilot, are needed. An annual \$35/per passenger seat surcharge shall be added to the premium basis for the policy and assigned to code, #0038. This surcharge shall not be affected by any "outstanding" rate increases during the year.

AIRCRAFT OR HELICOPTER AERIAL APPLICATION (crop dusting, seeding, etc.)

See "Contractors and Subcontractors" section.

CONTRACT LABOR

See "Contractors and Subcontractors" section.

CONTRACTORS, SUBCONTRACTORS, LESSEES, AND SUB-LESSEES - GENERAL

Any person, company, or corporation operating or engaged in or conducting any business by leasing, or contracting out any part or all of the work thereof to any lessee, sub-lessee, contractor or subcontractor, irrespective of the number of employees engaged in such work, shall be construed to be an employer as defined in the Act, and shall be liable as provided in the Act to pay compensation for injury or death resulting to said lessees, sub-lessees, contractors, and subcontractors and

their employees, and such employer before commencing said work, shall insure and keep insured his liability under the Act, and the lessees, sub-lessees, contractors, and subcontractors shall be deemed to be his employees. The employer shall be entitled to recover the cost of such insurance premium charge from the lessee, sub-lessee, contractor, and subcontractor and may withhold and deduct the same from the contract price or any royalties or other money due, owing, or to become due the said lessee, sub-lessee, contractor, or subcontractor.

Any uninsured contractor, subcontractor, lessee, or sub-lessee will be assigned to the classification applicable to his work exposure.

(A) UNINSURED CONTRACTORS AND SUBCONTRACTORS - PRINCIPAL

1. Individual Contractors - No Employees

The payroll basis shall be the fixed amount of \$10,400/year or \$866/month for periods less than a year.

2. Contractors With Employees

The payroll basis shall be the total payroll paid by the contractor to his employees, plus the payroll basis of the active individual contractor. If this information is not available at the time of audit, then no less than 50% of the contract price will be used as the basis of premium if both labor and materials are involved, and no less than 90% of the contract price if only labor is involved.

Note: It is the State Compensation Insurance Fund's position that if we insure the primary contractor, we have no liability for the subcontractor who has taken out a Workmen's Compensation policy and does not elect to insure himself. Therefore, we will not make any premium charge on the uninsured owner or partners as long as proper coverage is maintained on their employees.

(B) CONTRACT LABOR

Contract labor, if uninsured, is treated in the same manner as regular payroll with regard to work classification and premium basis. They are classified according to the type of work done, and their entire remuneration is included in the premium computation, subject to the various exclusions applicable to regular payroll labor such as premium overtime, excess earnings, etc.

(C) CUSTOM WORK*

All custom harvesting work will be assigned to the crop classification to which it is applicable,

and will be included for premium basis at the actual payroll of the contractor's employees, plus the payroll basis of the active individual contractor. If this information is not available at the time of audit, then $\frac{1}{3}$ of the total contract price will be used as the basis of premium.

*see section titled "Other Classifications That May Apply To Colorado Farms" for clarification of cases where the farm employer operates a business of contract custom machine harvesting for others. Look under code #0050.

(D) CROP DUSTING, SEEDING, ETC.

Aerial Application

Code #7409 is applicable (effective 1-22-76) for all members of the flying crew. Code #7423 is applicable to all other employees, including ground crew members. The payroll or payroll basis will be the amount subject to premium, provided it is clearly shown in the records; if no breakdown is available, then one-half ($\frac{1}{2}$) of the contract price will be the premium basis. For executive Officers see section for "Aircraft Operation"; also see section for "Executive Officers".

Payroll Basis Ground Application

The classification for ground application of crop spraying or seeding must be assigned to the farm classification applicable to the farmer for whom such work is done. One-half of the contract price will be the basis for premium, unless the actual payroll labor cost is clearly shown in the records, in which case that shall be the basis.

(E) HAULERS - TRUCKMEN

Payroll basis for all hauling work will be the actual payroll of the employees or contractor's employees, plus the payroll basis of the active individual contractor; if this breakdown is not available, then $\frac{1}{3}$ of the contract price shall be used. If the insured operates a business of contract hauling for others, the payroll will be assigned to code #7219 - Truckmen N.O.C. Otherwise the payroll will be assigned to the work classification to which it is exposed; therefore, if it was the hauling of hay, grain, etc. code #0037 - Field Crops would be applicable; if it was the hauling of stock, then code #0036 - Stock Farms would apply.

(F) LESSEES AND SUB-LESSEES

If a lessor/lessee relationship is found to exist (remember that the agreement, whether written or oral, is the determining factor), then the premium basis will be as follows:

1. Individual Lessee - No-Other Employees

Payroll basis currently is the fixed amount of \$10,400/year or \$866/month for periods less than one year; they are classified according to the type of work performed.

2. Lessee With Employees

The basis for premium on uninsured lessees will be the entire payroll of the employees, plus the payroll basis for the active individual lessee; if this information is not available, then 1/2 of the contract price will be used. Again, they will be classified according to the type of work done.

Note: It is the State Compensation Insurance Fund's position that if we insure the lessor, we have no liability for the lessee who has taken out a Workmen's Compensation policy and does not elect to insure himself. Therefore, we will not make a premium charge on the uninsured lessee as long as proper coverage is maintained on his employees.

CUSTOM WORK

See section titled "Contractors and Subcontractors".

EXCHANGE WORK

The basis of premium for these reciprocal agreements shall be the "equivalent value of what the help or labor would have otherwise cost". If this cannot be determined, then the \$10,400/year (or \$866/month or \$200/week) rule will apply to each person engaged in this activity. A part week is considered to be a full week for these purposes. The applicable farm classification will be assigned according to the type of work performed in these agreements.

EXECUTIVE OFFICERS

The payroll of all active Executive Officers shall be included in the statement of payroll and premium charged thereon. Farm and ranch executive officers are covered at their *actual remuneration*, subject to a minimum individual payroll of \$5,200/per year (\$100/week), effective 1-1-77 on new or renewed business, and a maximum individual payroll of \$15,600/per year (\$300/week). These limitations (minimum or maximum) will be applied to the average weekly payroll of each farm or ranch executive officer determined on the basis of the total number of weeks employed during the policy period. A part of a week shall be considered as a full week in determining the average weekly payroll.

Note: In the case of Sub Chapter "S" Corporations, the Officers' draws or payroll is considered remunera-

tion and the amounts paid as dividends in compliance with IRS regulations are *not* included as remuneration, however, the payroll basis is subject to the minimum and maximum of the executive officers.

FAMILY MEMBERS

Payroll for family members, regardless of age, sex, or relationship, will be treated the same as that of other employees with regard to premium basis and classification of work performed. The only exception is where there is no remuneration paid; in which case the labor will be considered strictly *voluntary*, in which case no premium charge will be made and no coverage provided.

HAULERS - TRUCKMEN

See section titled "Contractors and Subcontractors".

INDIVIDUAL OWNERS OR PROPRIETORS

Individual proprietors are not included for coverage under the Workmen's Compensation Act, unless they so elect to be covered by *signing a policy declaration form* to that effect. If they so choose, they are then covered at the fixed payroll amount of \$10,400/per year or \$866/month (effective 10-1-75). At this time they are provided full maximum benefits under the Act for injury or death sustained while working on the job. They are to be classified by the same rules governing other employees - according to the type of work performed. Forms are available from your insurance carrier.

INSERVANTS - FULL-TIME

Covered by a per capita (per head) charge under code #0913.

INSERVANTS - OCCASIONAL (PART-TIME)

Covered by a per capita (per head) charge under code #0908.

LESSEES AND SUB-LESSEES

See section titled "Contractors and Subcontractors".

MACHINE HIRE

See section titled "Contractors and Subcontractors".

OUT-OF-STATE EMPLOYEES

A Colorado Workmen's Compensation policy provides coverage for Colorado employees in Colorado. However, with proper notification to the Colorado Division of Labor, coverage can be extended for periods of up to six months, *for Colorado employees only*, while working out of state. If any employees are hired for work in another

state, the insurance requirements of that state will have to be met by the employer. If any out of state work is contemplated, the employer should first check with the insurance carrier regarding the requirements which must be met.

RENTAL AGREEMENTS

The Workmen's Compensation Act provides *no liability* between a landlord and tenant in a rental situation. We therefore cannot include any coverage under this type of relationship. If a question in determining that a rental situation exists, a written statement (giving the details) from the owner or a copy of the written rental agreement will be necessary, so that a proper determination can be made by the State Fund as to whether it is a *rental or lease* situation.

REMEMBER, THE AGREEMENT, WHETHER WRITTEN OR ORAL IS THE DETERMINING FACTOR.

ROOM AND BOARD

If any housing such as trailers, houses, rooms, etc. are furnished to employees, the fair market value of such housing shall be included in their remuneration. If the value of such housing is not available, then the following minimum amounts will be used in accordance with the Manual rules:

- For Board - \$1.50 per day for each employee.
- For Lodging - \$4.00 per week for each employee.

The preceding value of board shall be pro-rated when board furnished consists of less than three meals a day.

VOLUNTARY LABOR

Volunteers are *not* covered under the Colorado Workmen's Compensation Act, and no premium charge will be made or any claims paid to them.

WORKING PARTNERS

Partners are not included for coverage under the Workmen's Compensation Act, unless they so elect to be covered by *signing a policy declaration form* to that effect. If they choose (either one or any number of partners) to be covered, their coverage will be at the fixed payroll amount prescribed by law of \$10,400/per year or \$866/month (effective 10-1-75). At this time they are provided with full maximum benefits under the law, for injury or death sustained while working on the job. They are to be classified by the same rules governing other employees - according to the type of work performed. Forms are available from your insurance carrier.

NOTE: THE PAYROLL BASIS TO BE USED IN COMPUTING PREMIUM FOR ANY OTHER PERSON COVERED UNDER THE ACT, AND NOT

OTHERWISE PROVIDED FOR IN THE RULES AND REGULATIONS IN USE BY THE STATE COMPENSATION INSURANCE FUND, SHALL BE A MINIMUM OF \$10,400 PER YEAR OR \$866 PER MONTH.

CLASSIFICATION AND DESCRIPTION OF FARM OPERATIONS

GENERAL

#0008 - Gardening - Market or Truck

Applies to all garden vegetable crops and includes berries, tomatoes, melons, squash, asparagus, lettuce, cabbage, green beans, carrots, cucumbers, and spinach, including drivers.

#0034 - Poultry, Egg Production and Hatcheries

Applies to all acreage devoted to raising turkeys, chickens, rabbits, and squab, including drivers. This also includes all "Apiary Work" (beekeeping).

#0036 - Stock Farms, Dairy Farms, and Sheep Raising

Applies to the raising of cattle, horses, hogs, sheep, and goats. This also includes all incidental crops raised for the maintenance of these animals, including drivers. Dairy farms include all acreage devoted to producing milk or cream, except that creameries or dairy plants shall be rated separately.

#0037 - Field Crop Farms

Applies to all acreage devoted to raising hay, alfalfa, all cereal grains such as wheat, barley, rice, corn, oats, all sorghums, flax and maize, sugar beets, potatoes, dry peas, dry onions, and dry beans, including drivers.

#0085 - Farming - N.O.C. (not otherwise classified)

Applies to such crops as peaches, apples, pears, and other orchard crops, including drivers and to other farm produce not specifically described by another classification in this schedule.

OTHER CLASSIFICATIONS THAT MAY APPLY TO COLORADO FARMS

#0005 - Nurserymen

Growing of trees, including incidental landscape gardening and drivers.

- #0035 - Florists
Cultivating or gardening and drivers.
- #0050 - Farm Machinery Operation - Contractor (including drivers)
Applies only to employers who operate a business of contracting custom machine harvesting for others; this mechanical harvest work which is done away from the insured's premises includes all employees in connection with the machine work and not just the operators of the equipment. Uninsured farm labor contractors who do custom machine harvest work must be assigned to the farm classification applicable to the farmer for whom such work is done.
- #0083 - Dude Ranches in Connection with Cattle Ranches (including drivers)
- #0088 - Airplane Passenger Seat Surcharge
- #0251 - Irrigation Works Operation
Includes drivers and is applicable only to a private policy. All public districts (those that obtain their revenue by the levy of taxes) must be insured with the State Fund.
- #0908 - Occasional Inservant
Less than 50% of full-time.
- #2070 - Creameries
Includes salesmen, route supervisors, drivers, and the manufacturing of butter or cheese (ice cream to be separately rates as #2039). This code may be applied to a creamery or dairy located on farm premises, provided the payroll is segregated in the payroll records.
- #2081 - Butchering
Used when performing work for others away from farm premises; or a distinct slaughter house operation.
- #2105 - Fruit Packing
Applies to shed work performed away from the farm premises.
- #2702 - Logging or Lumbering
Includes drivers and equipment rental allowance to employees.
- #2710 - Saw Mill Operations
- #4511 - Analytical Chemists
Laboratory and outside; can apply to the testing of dairy products for market by an individual firm specifically doing this type of work.

- #6217 - Excavation - Land Leveling
Used when performing work for others.
- #7219 - Truckmen N.O.C.
Applies when insured is in the hauling business for others only (commercial hauling). When one farmer hauls for another it would be classified under the governing classification as "drivers" is included in regular farm code phraseology.
- #7409 - Aircraft or Helicopter Aerial Application
Applies to all seeding, crop dusting, herding or scintillometer surveying, by members of the flying crew.
- #7423 - Aircraft or Helicopter Aerial Application
Applies to all other employees and drivers, including ground crew members.
- #7421 - Aircraft Operation
Transportation of personnel in the conduct of employer's business. All members of the flying crew.
- #7423 - Aircraft Operation
All other employees and drivers.
- #8006 - Fruit or Vegetable Store - Retail
Applies when a store or fruit stand operation is used away from the farm premises.
- #8209 - Vegetable Packing
Applies to shed work performed away from the farm premises.
- #8215 - Hay, Grain, or Feed Dealers (including drivers)
- #8288 - Livestock Dealers
Includes salesmen and drivers and applies to commercial feedlot operations engaged exclusively in the feeding of cattle for others.
- #8304 - Grain Elevator Operation
Includes local managers and drivers
- #8742 - Outside Salesmen
Standard exception that can be applied to farms.
- #8810 - Clerical Office Employees
Standard exception that can be applied to farms.
- #9052 - Dude Ranches - Not in Conjunction with Cattle Ranches
Including clerical, salesmen, and drivers.

- Notes: 1. All farm co-ops should be classified according to manual descriptions regarding their specific types of work exposures.
2. All construction codes applicable to new construction and alterations must be used when warranted. Please consult the Manual for these.

COLORADO FARM PRODUCTS (alphabetically with corresponding classifications)

PRODUCT	CODE	CLASSIFICATION
Alfalfa	0037	Field Crops
Apiary (beekeeping)	0034	Poultry Farms
Apples	0085	Farms - N.O.C.
Apricots	0085	Farms - N.O.C.
Asparagus	0008	Truck Garden
Barley	0037	Field Crops
Beans, Dry	0037	Field Crops
Beans, Green	0008	Truck Garden
Beets, Sugar	0037	Field Crops
Berries	0085	Farms - N.O.C.
Broccoli	0008	Truck Garden
Brussel Sprouts	0008	Truck Garden
Bulbs	0035	Florists
Cabbage	0008	Truck Garden
Cantaloupes	0008	Truck Garden
Carrots	0008	Truck Garden
Cattle	0036	Stock Farms
Cauliflower	0008	Truck Garden
Celery	0008	Truck Garden
Cherries	0085	Farms - N.O.C.
Chickens	0034	Poultry Farms
Christmas Trees	0005	Nurserymen
Clover	0037	Field Crops
Corn	0037	Field Crops
Cucumbers	0008	Truck Garden
Dairy Farm	0036	Stock Farms
Flowers, Field Growing	0035	Florists
Goats	0036	Stock Farms
Grain	0037	Field Crops
Grass Seed	0037	Field Crops
Hay	0037	Field Crops
Hogs	0036	Stock Farms
Horses	0036	Stock Farms
Lettuce	0008	Truck Garden
Melons	0008	Truck Garden
Nurserymen	0005	Nurserymen
Oats	0037	Field Crops
Onions, Dry	0037	Field Crops
Onions, Green	0008	Truck Garden

Orchards	0085	Farms - N.O.C.
Parsnips	0008	Truck Garden
Peaches	0085	Farms - N.O.C.
Pears	0085	Farms - N.O.C.
Peas, Dry	0037	Field Crops
Peas, Green	0037	Field Crops
Peppers	0008	Truck Garden
Plums	0085	Farms - N.O.C.
Potatoes	0037	Field Crops
Poultry	0034	Poultry Farms
Pumpkins	0008	Truck Garden
Radishes	0008	Truck Garden
Rhubarb	0008	Truck Garden
Rice	0037	Field Crops
Rutabagas	0008	Truck Garden
Rye	0037	Field Crops
Sheep	0036	Stock Farms
Spinach	0008	Truck Garden
Squab	0034	Poultry Farms
Squash	0008	Truck Garden
Stock Farms	0036	Stock Farms
Strawberries	0085	Farms - N.O.C.
Tomatoes	0008	Truck Garden
Tree Farms	0005	Nurserymen
Truck Farms	0008	Truck Garden
Turkeys	0034	Poultry Farms
Turnips	0008	Truck Garden
Watermelons	0008	Truck Garden
Wheat	0037	Field Crops

WORKERS' COMPENSATION RATE COMPARISON (CURRENT RATES)

Classification	Code	Kansas		Nebraska	Missouri	Oklahoma	Colorado	Oregon	Utah
		Current	Proposed	(9-1-76)	(1-1-77)	(9-1-76)	(1-1-77)	(10-1-76)	(4-1-77)
<u>Restaurants</u>	9079	1.34	1.56	.93	1.23	1.99	1.73	6.19	1.44
<u>Contracting</u>									
Plumbing	5183	2.07	2.63	1.69	2.26	3.85	2.78	7.46	2.07
Electrical Wiring	5190	2.61	2.67	1.16	1.84	2.77	2.35	4.23	1.69
Street or Road Construction (Paving or Repaving)	5506	4.11	3.85	2.51	2.54	5.73	3.64	11.59	--
Carpentry	5403	4.02	4.34	3.60	2.72	6.62	5.07	18.43	4.04
<u>Manufacturing</u>									
Agricultural Machine Mfg.	3507	2.60	3.21	2.43	2.46	3.88	4.00	6.23	2.44
Airplane Mfg.	3830	1.06	1.05	--	--	1.00	1.41	--	--
Rubber Tire Mfg.	4420	4.99	6.44	1.05	2.25	3.35	1.75	7.19	1.46
<u>Oil Field Workers</u>									
Oil Refining-Petroleum	4740	1.63	1.66	1.26	1.80	.95	3.02	4.56	2.42
Oil Still Erection or Repair	3719	5.00	4.62	2.92	4.91	5.74	2.82	11.19	3.81
Cleaning Old Wells	1322	8.43	10.45	11.20	7.24	17.08	13.26	--	8.06
Drilling or Redrilling	6235	11.25	10.42	11.20	7.24	13.84	13.26	24.96	8.06
<u>Clerical</u>	8810	.16	.17	.19	.11	.18	.17	.44	.14

Note: 1) Colorado, Oregon and Utah operate with a competitive state fund.
 2) Ohio and Wyoming (not referred to above) are monopolistic states, and their rates are not promulgated by the National Council on Compensation Insurance.

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XII

WORKERS' COMPENSATION INSURANCE

Allowances for Expenses, Taxes, Profit and Contingencies, and Losses

(1)	Acquisition and Field Supervision	17.5%
(2)	General Expenses	<u>8.4%</u>
(3)	Total for Company Expenses (1)+(2)	25.9%
(4)	Taxes, Licenses and Fees other than Federal Income Tax	
	(A) Premium Tax	2.0%
	(B) Miscellaneous Tax	<u>0.7%</u>
(5)	Total for Taxes, Licenses and Fees other than Federal Income Tax (4A)+(4B)	2.7%
(6)	Allowance for Loss Adjustment Expense	7.7%
(7)	Total Expense Allowance Related to Premium (3)+(5)+(6)	36.3%
(8)	Allowance for Losses Related to Premium	<u>61.2%</u>
(9)	Total Allowance for Expenses, Taxes and Losses (7)+(8)	97.5%
(10)	Profit and Contingencies	<u>2.5%</u>
(11)	Total Allowance for Expenses, Taxes, Profit and Contingencies, and Losses	100.0%

NOTE: The above information was extracted from the current rate filing submitted to the Kansas Insurance Department by the National Council on Compensation Insurance.

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XIII

WESTERN COMPANIES

Fort Scott, Kansas

KANSAS PREMIUMS, LOSSES & EXPENSES

1975

Premiums Earned		2,268,157.34	
Dividends Paid		<u>80,295.00</u>	
Net Premiums		2,187,862.34	... 100.00%
Losses Incurred		1,543,149.49	... 70.53
Direct Alloc. Exp. Paid	51,176.62		
Direct Unalloc. Exp. Paid	63,042.95		
Add'l. Unalloc. Paid and Conversion to incurred	<u>51,541.19</u>		
Adjustment Expense Incurred		165,760.76	... (7.58%)
Commission Paid		203,588.15	... (9.31%)
Other Acq. Expense Incurred (1.2 of P.W.)		27,559.51	... (1.26%)
General Expense Incurred (7.7% of P.W.)		176,840.21	... (8.08%)
Taxes, Licenses & Fees Inc. (1.1% of P.W.)		<u>25,262.89</u>	... (1.15%)
Total Expense		<u>2,142,161.01</u>	... (97.91%)
Profit		45,701.33	... (2.09%)

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XIV

THIS DEPARTMENT HAS PREPARED A RATE COMPARISON FOR WORKMEN'S COMPENSATION RATES IN SURROUNDING STATES. THE EXHIBIT WHICH HAS BEEN PASSED OUT REFLECTS SOME REPRESENTATIVE CLASSIFICATIONS COMMON TO SAMPLE RISKS WHICH DEVELOP SUBSTANTIAL PREMIUMS IN THE STATE OF KANSAS. THE EXHIBIT COMPARES RATES FOR THE SAME CLASSIFICATIONS WITHIN THE STATES OF KANSAS, NEBRASKA, MISSOURI, OKLAHOMA, COLORADO, OREGON, AND UTAH. NOTE THAT THE KANSAS RATES ARE BROKEN BETWEEN CURRENT AND PROPOSED. THE CURRENT RATES ARE THOSE PRESENTLY IN EFFECT TODAY. THE PROPOSED RATES ARE THOSE WHICH ARE BEING CONSIDERED FOR APPROVAL BY THIS DEPARTMENT. THE CURRENT PROPOSAL OF THE NATIONAL COUNCIL IS FOR A RATE LEVEL INCREASE OF 11.3% OVERALL.

NOTE THAT THE STATES OF COLORADO, OREGON AND UTAH ARE APPARENTLY OPERATED WITH A STATE FUND. THE RATES REFLECTED FOR EACH OF THE STATES HAS BEEN PRESENTED TO US BY THE NATIONAL COUNCIL ON COMPENSATION INSURANCE. THEY ARE THE APPROVED RATING BUREAU FOR WORKMEN'S COMPENSATION INSURANCE IN EACH OF THE STATES LISTED. WE UNDERSTAND THAT OHIO AND WYOMING ARE "MONOPOLISTIC" STATES AND THEIR RATES ARE NOT PROMULGATED BY THE NATIONAL COUNCIL, AND WE ARE UNABLE TO OBTAIN RATE COMPARISONS AT THIS TIME.

WE WOULD BE HAPPY TO ATTEMPT TO ANSWER ANY QUESTIONS ON THIS RATE COMPARISON OR PREPARE ADDITIONAL RATE COMPARISONS FOR OTHER CLASSIFICATIONS WHICH YOU WOULD LIKE TO REVIEW.

Atch. XIV

I WOULD LIKE TO COMMENT BRIEFLY ON THE TYPE OF INFORMATION WHICH IS CONTAINED IN THE ANNUAL REPORTS FILED BY INSURANCE COMPANIES WRITING WORKMEN'S COMPENSATION INSURANCE IN KANSAS.

THE PRINCIPAL DOCUMENT WHICH IS REQUIRED FOR FILING ON AN ANNUAL BASIS IS THE "ANNUAL STATEMENT". THAT IS THE YELLOW BOOK WHICH I HAVE WITH ME TODAY AND I HAVE BROUGHT THE 1975 AND 1976 ANNUAL STATEMENT FOR THE WESTERN COMPANIES OF FORT SCOTT. THE ANNUAL STATEMENT IS THE PRINCIPAL FINANCIAL RECORD OF EACH COMPANY COMPILED AS OF DECEMBER 31, OF EACH YEAR. THE INFORMATION IN THE STATEMENT REFLECTS THE YEAR-END FINANCIAL CONDITION OF THE COMPANY AND PRESENTS THE GENERAL CONDITION OF ITS FUNDS ON DECEMBER 31. THE STATEMENT INCLUDES VARIOUS EXHIBITS OF THE PREMIUMS AND LOSSES AND EXPENSES OF THE COMPANY DURING THE PRECEDING YEAR. AS AN EXAMPLE, I FIND THAT WESTERN CASUALTY AND SURETY COMPANY WROTE \$14.1 MILLION IN WORKMEN'S COMPENSATION INSURANCE ON A COUNTRYWIDE BASIS IN 1975. THE TOTAL DIRECT BUSINESS WRITTEN BY THE COMPANY WAS \$111.6 MILLION ON A COUNTRYWIDE BASIS. WE FIND THAT 12.6% OF THE COMPANY'S COUNTRYWIDE PREMIUM WAS WRITTEN AS WORKMEN'S COMPENSATION INSURANCE. THE KANSAS INFORMATION IS CONTAINED ON PAGE 14 OF THE ANNUAL STATEMENT. TURNING TO THAT PAGE, WE FIND THAT IN 1975 THE COMPANY WROTE \$1.5 MILLION OF WORKMEN'S COMPENSATION INSURANCE IN THE STATE OF KANSAS. THE TOTAL PREMIUMS WRITTEN IN THE STATE OF KANSAS AMOUNTED TO SOME \$9.1 MILLION. THEREFORE, WE CALCULATE THAT WORKMEN'S COMPENSATION INSURANCE REPRESENTS 16.5% OF THIS COMPANY'S BUSINESS IN OUR STATE. ON A COUNTRY-

WIDE BASIS, THE COMPANY REFLECTS A LOSS RATIO OF 64.9% ON WORKMEN'S COMPENSATION INSURANCE COMPARED TO COUNTRYWIDE AVERAGE FOR ALL LINES, OF 60.37%. IN KANSAS, THEIR LOSS RATIO ON WORKMEN'S COMPENSATION INSURANCE WAS 65.9% COMPARED TO A STATEWIDE AVERAGE RATIO OF 53.9%.

THE INSURANCE EXPENSE EXHIBIT IS A SUPPLEMENTARY DOCUMENT THAT IS ALSO FILED BY EACH COMPANY EACH YEAR TO REFLECT COMPANY EXPENSES ALLOCATED TO EACH LINE OF BUSINESS THAT IS WRITTEN. THIS EXHIBIT IS ALSO PRESENTED ON A COUNTRYWIDE BASIS AND A SEPARATE COLUMN IS RESERVED FOR REPORTING WORKMEN'S COMPENSATION INSURANCE EXPENSES. THE PREMIUMS AND LOSS INFORMATION ON THIS EXHIBIT CAN BE CORRELATED TO INFORMATION PRESENTED IN THE ANNUAL STATEMENT. THIS EXHIBIT, FOR EXAMPLE, INCLUDES THE ACTUAL PREMIUM AND LOSS DOLLARS FOUND IN THE VARIOUS COUNTRYWIDE DISPLAYS IN THE ANNUAL STATEMENT. THE COMPANY THEN PRESENTS ITS EXPENSES BY CATEGORY AND THE FOLLOWING INFORMATION IS REVEALED ON A COUNTRYWIDE BASIS:

THE LOSS ADJUSTMENT EXPENSE INCURRED BY THE COMPANY WAS 8.8%. THE COMMISSION AND BROKERAGE EXPENSES WERE 11.7%. THE OTHER ACQUISITIONS EXPENSES INCLUDING FIELD SUPERVISION AND COLLECTION EXPENSES WERE 1.4% OF EARNED PREMIUMS. THE COMPANY'S GENERAL EXPENSES AMOUNTED TO 6.9% AND TAXES, LICENSES AND FEES WERE 1.6% OF EARNED PREMIUMS. ON A COUNTRYWIDE BASIS, THE TOTAL EXPENSES OF THE COMPANY AMOUNTED TO 30.4% OF EARNED PREMIUMS. THE INVESTMENT GAIN FOR THIS LINE AMOUNTED TO 3.3% AND THE COMPANY PAID 4.7% AS DIVIDENDS TO POLICY HOLDERS. THE NET INCOME TO THE COMPANY FOR THIS LINE OF INSURANCE AMOUNTED TO 3.4% ON A COUNTRYWIDE BASIS.

WE REQUESTED MR. HOMER COWAN OF THE WESTERN COMPANIES TO DEVELOP INFORMATION FOR THIS DEPARTMENT IN REGARD TO THEIR ACTUAL KANSAS EXPENSES FOR THIS LINE OF INSURANCE FOR THE YEAR 1975. MR. COWAN COMBINED THE OPERATION OF THEIR TWO COMPANIES, (THE WESTERN CASUALTY AND SURETY COMPANY & THE WESTERN FIRE INSURANCE COMPANY) TO PRESENT THE RESULTS OF THEIR KANSAS OPERATIONS FOR THE YEAR 1975. THE PREMIUM AND LOSS, AND DIVIDEND INFORMATION REPORTED BY HIM HAS BEEN VERIFIED THROUGH THE ANNUAL STATEMENTS SUBMITTED BY THESE TWO INSURANCE COMPANIES, AS REPORTED BY OUR OFFICE. I AM DISTRIBUTING A COPY OF THE ACTUAL EXPENSE INFORMATION OF THIS COMPANY AS PRESENTED TO US BY MR. COWAN. YOU CAN OBSERVE THAT THE LOSS ADJUSTMENT EXPENSES OF THE COMPANY ARE 7.58% OF EARNED PREMIUMS. THE AVERAGE COMMISSION FACTOR IS 9.31% WHEN RELATED TO EARNED PREMIUMS. OTHER ACQUISITION EXPENSES AMOUNT TO 1.26%, AND THE GENERAL COMPANY EXPENSES ARE 8.08% OF EARNED PREMIUMS. THE TAXES, LICENSES AND FEES AMOUNTED TO 1.15%. THE TOTAL EXPENSE FACTOR THEREFORE, IS 27.28% AS RELATED TO EARNED PREMIUMS AND THE TOTAL LOSS AND EXPENSE AMOUNT TO 97.91%, LEAVING A PROFIT TO THE COMPANY OF 2.09%. WE HAVE NOT ATTEMPTED TO VERIFY MR. COWAN'S REPORT OF SPECIFIC KANSAS EXPENSES; HOWEVER, I UNDERSTAND THAT THE INFORMATION WAS TAKEN FROM THEIR RECORDS IN AN EFFORT TO RESPOND TO THIS COMMISSION'S REQUEST FOR THIS SPECIAL KANSAS INFORMATION. IN GENERAL, COMPANIES DO NOT ROUTINELY PREPARE EXPENSES BY STATE, AND THIS INFORMATION IS AVAILABLE ONLY UPON A SPECIAL REVIEW BY THE COMPANY, BY LOOKING AT SPECIFIC LOSS FILES TO DETERMINE SPECIFIC AMOUNTS ACTUALLY PAID FOR THE VARIOUS ITEMS OF LOSS ADJUSTMENT EXPENSES.

Law Offices

DAVIS & BENNETT

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700 KANSAS AVENUE
TOPEKA, KANSAS 66603

XV

CLAYTON M. DAVIS
MARK L. BENNETT
MARK L. BENNETT, JR.
J. RICHARD LAKE

TELEPHONE 234-0417
AREA CODE 913

August 10, 1977

The Honorable Eugene F. Gastl, Chairman
Special Committee on Labor and Industry
5811 Nieman Road
Shawnee, Kansas 66203

Re: Proposal No. 45 - Review of Workmen's Compensation Law

Dear Representative Gastl:

I note on the agenda for your committee for August 18 that as a part of the consideration of Proposal 45, the committee will hear from Glen Adams in regard to the operation of the state workmen's compensation fund in Colorado. At the meeting of your committee on July 20 I requested permission to speak on that subject at some future date if the committee intended to give substantial consideration to that subject matter. It now appears that consideration will be given by the committee to a state workmen's compensation fund, and I renew my request to be heard on that subject. I will be out of the state on August 18 and will not be able to appear at that meeting; however, I will appreciate it very much if you will put me on the agenda for either the meeting in September or in October to speak on that subject.

Very truly yours,



Mark L. Bennett

MLB:eg

cc: The Honorable John F. Vermillion
Mr. Mike Heim

Atch. XV

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TELEPHONE 234-0417
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August 10, 1977

To the Members of the
Special Committee on Labor and Industry

Re: Proposal No. 45 - Review of Workmen's Compensation Law

Gentlemen:

I appeared before the Special Committee on Labor and Industry at its hearing on July 20, 1977, and submitted my remarks in writing to the committee. As a part of those remarks I attached a copy of a portion of "Bests' Insurance News Digest" of January 3, 1977, pages 10 and 11. On page 10 appeared an insert showing the operating ratio of workmen's compensation experience by stock companies, mutual companies and total industry for the years 1972 to 1976 inclusive. This information showed the experience on a nation-wide basis. Upon the completion of my remarks several members of the committee requested I furnish the committee with similar information on the experience in Kansas only.

I have now secured, from the Insurance Department, an information sheet entitled "Workers' Compensation Insurance Experience". This sheet relates to the Kansas experience only. The sheet I obtained covered the years 1963 to 1976 inclusive; however, in order to avoid confusion in comparing it with the national experience I heretofore furnished, I have only shown on the attached exhibit the experience for the years 1972 to 1976 inclusive, being the same years covered by the exhibit heretofore furnished.

I am advised by the Department that in order to arrive at the operating ratio in Kansas consideration should be particularly directed to the columns headed "Direct Premiums Earned" and "Direct Losses Incurred" which produces the factor under the column headed "Premium Earned to Losses Incurred".

I am also informed that the total expense factor for the year 1976, exclusive of profit for 1976, was 41.1. This figure, 41.1, is made up of two factors; first, the general expenses of the company amounting to 28.6 which expenses include cost of acquisition, safety engineering services furnished policyholders and other general expenses. In addition to those expenses a loss adjustment expense in the amount of 12.5 must be added, making up the total of 41.1. I am further informed that this total expense factor of 41.1 is and has been

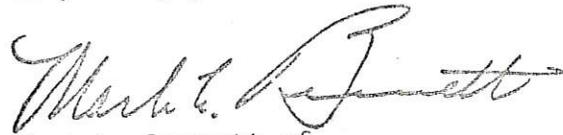
substantially constant over the years. Taking the experience in 1976 and using the column "Premium Earned to Losses Incurred" of 67.3 establishes that in Kansas in 1976 67.3 cents of every dollar collected as premiums was paid out to injured workmen.

In order to determine the operating ratio we then take the 67.3 paid out to the injured workmen and add to it 41.1, the total expenses, i.e., general expenses plus loss adjustment expense, and arrive at a figure of 108.4. Thus in 1976 for every dollar collected in premiums the company paid out \$1.084. The same factor should be added to the 1975 experience, i.e., 67.5 plus 41.1, to arrive at the operating ratio of the companies, or a total of 108.6; and in 1974 109.0 and so forth.

The foregoing, of course, is the average experience of workmen's compensation writers in the State of Kansas during the years 1972 to 1976 inclusive as shown by the enclosed exhibit. Being an average, there are, of course, some companies doing business in the state which show a better ratio than the average, and there are companies which show a poorer ratio than the average.

I will not be able to attend the meeting on August 18 since I will be out of the state; however, I will be glad to attempt to answer any questions in regard to the enclosed at the following meeting of your special committee.

Very truly yours,



Mark L. Bennett of
American Insurance Association

MLB:eg
Enc.

ams Ins Dept
 13. Experience only.

WORKERS' COMPENSATION INSURANCE EXPERIENCE

Red 8/9/77

YR	DIRECT PREMIUMS WRITTEN	DIRECT PREMIUMS EARNED	DIRECT LOSSES PAID	DIRECT LOSSES INCURRED	PREMIUM WRIT. TO LOSSES PD.	PREMIUM EARNED TO LOSSES INCURD.
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2	34,622,948.00	33,203,461.00	19,125,394.00	21,376,326.00	55.2	64.4
3	37,000,905.00	35,458,306.00	21,184,286.00	23,915,584.00	57.2	67.4
4	48,829,189.00	45,391,821.00	24,936,749.00	30,801,921.00	51.1	67.9
5	60,931,943.00	58,384,479.00	30,919,290.00	39,591,122.00	50.7	67.5
5	74,905,244.00	69,745,184.00	36,281,750.00	46,947,995.00	48.4	67.3

Insurance Department

TOPEKA

XVI

MEMORANDUM

TO: Members of The Special Committee on Labor and Industry

FROM: Raymond E. Rathert
Fire & Casualty Supervisor

SUBJECT: Letter dated August 10, 1977 from Mark L. Bennett
regarding Proposal No. 45

DATE: August 18, 1977

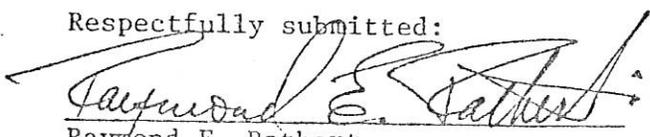
On August 10, 1977, Mr. Mark Bennett, of the American Insurance Association, sent a letter to you containing some Workers' Compensation Insurance premium and loss experience that he obtained from the files in our office. Upon reviewing his letter, we noted an error in the information we furnished to Mr. Bennett; therefore, we are taking this opportunity to furnish you the corrected information.

In the last paragraph on page 1 of Mr. Bennett's letter, it is stated that the total expense factor for the year 1976 is 41.1 percent (41.1%). That figure should be 36.3 percent (36.3%), which is comprised of 28.6 percent (28.6%) of premium for general expenses and 7.7 percent (7.7%) for loss adjustment expense. We had inadvertently given Mr. Bennett a figure of 12.5 percent (12.5%) for loss adjustment expense which is the percentage as applied to losses. We should have used 7.7 percent (7.7%) which is the percentage applied to premium.

Using the corrected figure of 36.3 percent (36.3%) for total expenses, the second paragraph on page 2 of Mr. Bennett's letter of August 10, 1977 should read as follows:

"In order to determine the operating ratio, we then take the 67.3 paid out to the injured workmen and add to it 36.3, the total expenses i.e., general expenses plus loss adjustment expense, and arrive at a figure of 103.6. Thus, in 1976 for every dollar collected in premiums, the company paid out \$1.036. The same factor should be added to the 1975 experience, i.e., 67.5 plus 36.3, to arrive at the operating ratio of the companies, or a total of 103.8; and in 1974, 104.2 and so forth."

Respectfully submitted:


Raymond E. Rathert
Fire & Casualty Supervisor

RER/dn

Atch. XVI