

Workers' Compensation to Mark 100 Years

December 16, 2010 By [Joan E. Collier, Editor](#)

Almost one hundred years ago, on May 3, 1911, Wisconsin Gov. Francis E. McGovern (1911-15) signed America's first constitutional workers' compensation law. Wisconsin beat New York in the workers' compensation race only because the law enacted by the Empire State in 1910 was found unconstitutional.

The 100th anniversary of workers' compensation will not pass unnoticed. The [Workers' Compensation Centennial Commission](#) (WCCC) was formed earlier this year to celebrate this milestone and to be a resource for those interested in the evolution of workers' compensation in this country.

As part of its mission, the organization is gathering information on the past, present, and future of workers' compensation and posting the resource material online. Included in its library is a notice that appeared in the Racine (Wis.) Daily Journal in 1911, describing the outcome of the first official workers' compensation death claim, filed less than three weeks after the passage of the May 3, 1911, law. The decision, made by the Wisconsin Industrial Commission, marked the first workers' compensation award in America.

In its entirety, the article reads: "The first decision in the state workingmen's compensation act was won by the city on Wednesday when it was decided that Milwaukee would not have to pay \$3,000 for the death of one of its employees. The case is expected to be a precedent.

F.A. Windfelder, bridgetender, asked \$3,000 for the death of his son, killed on May 20 on Sixth street visduot bridge. He was working under the bridge while it was raised. The bascule was lowered and he was killed by the counterweights.

C.H. Crownhart, chairman of the industrial insurance commission, disposed of the case by giving an order to the city to pay \$100 for funeral expenses and \$2 for medical assistance, the amount which has to be paid in any case."

Nine Out of Ten Americans Protected

By 1920 all but eight states had enacted similar laws; by 1949, every state had a workers' compensation system. (Currently, the only state in which workers' compensation coverage is truly optional is Texas, where about one-third of the state's employers are so-called non-subscribers.)

Today, about nine out of 10 American workers are protected by workers' compensation. The financial impact on employers, carriers, and medical providers is significant.

A December report from the [Insurance Information Institute](#) (III), citing a study by the [National Academy of Social Insurance](#) (NASI), put the payments for medical care and cash benefits that

help cover lost wages at \$57.6 billion in 2008 (the latest available data). NASI also noted that, "For the first time, but reflecting a long-term growth trend in medical spending for the past 30 years, medical benefits totaled more than half of all benefits paid, driven by an 8.8 percent increase in payments for medical care."

Downward Trend for Employer Costs and Profits

Additional data showed that while payments for medical care and cash benefits rose in 2008, employes costs moved slightly downward in the same time period. The NASI report revealed that, "Overall, employers' costs declined by 6.7 percent to \$78.9 billion. Per \$100 of payroll, the basis for computing workers' compensation, employer costs in 2008 were \$1.33, a 0.11 percent decrease from the previous year. Cash benefits to workers per \$100 of payroll dropped 0.01 percent to \$0.48. This is the lowest level since 1980."

An [A.M. Best](#) study on 2009 premiums, also referenced in the III report, noted a drop in premiums but an increase in loss ratio: "Workers' compensation premiums for 2009 dropped 14.5 percent to \$12.3 billion, the lowest level in 10 years, while the combined ratio, the percentage of each premium dollar spent on claims and expenses, rose 8.8 percentage points to 120 percent. The deterioration in profitability was driven by a continuous decrease in premiums as poor economic conditions reduced the number of people in work force and intense competition for business reduced prices for coverage."