

**TRANSACTIONS OF SOCIETY OF ACTUARIES
1964 REPORTS**

**REPORT OF THE COMMITTEE ON EXPERIENCE UNDER
GROUP HEALTH INSURANCE**

**I. GROUP WEEKLY INDEMNITY INSURANCE
AND GROUP HOSPITAL AND SURGICAL
EXPENSE INSURANCE**

THIS is the seventeenth annual report on the continuing study of the morbidity experience of Group Weekly Indemnity insurance and Group Employee and Dependent Hospital and Surgical Expense insurance.

In compiling these reports the Committee includes the available experience of employer-employee groups and excludes the experience of insured groups outside the United States, of trusteeship and association cases insuring employees of the member employers and of union cases, whether or not insurance depends on continued employment. The data for Group Weekly Indemnity insurance exclude the experience of plans written under State Cash Sickness laws.

While most of the report deals with the combined experience of nonmaternity and maternity benefits, the Committee has been able to secure, for some but not all the groups, a separation of the experience into its nonmaternity and maternity components. This separate experience is shown for the first time in Tables 2, 5, and 9. The tables show combined nonmaternity and maternity unless otherwise designated. Table 2 introduces experience under Weekly Indemnity plans that provide no maternity benefits. Tables 5 and 9 introduce the nonmaternity portion of the experience under Hospital and Surgical plans which differ from those normally studied. Such plans are designated as plans with "other" maternity benefits. Another addition is the 1963 experience of the \$300 surgical schedule, which is based upon Mr. Morton D. Miller's 1957 "Schedule of Relative Values of Surgical Procedures," published in *TSA*, X, 465.

Data in the report for Weekly Indemnity and Employee Hospital insurance are based on the experience of groups in those industrial classifications which the contributing companies individually rate standard for premium purposes; tables covering these plans are headed "Nonrated Industries." Data for Surgical Expense insurance, Employee or Dependent, and for Dependent Hospital Expense insurance are based on the experience of groups regardless of industrial classifications; tables covering these plans are headed "All Industries."

The tables in this report show the experience for all exposure size groups combined, or, to minimize the effect that jumbo groups might have upon the ratio of actual to tabular claims, excluding the largest exposure size groups. In the latter instance, experience is derived from groups with exposures limited as shown below:

Weekly Indemnity—Less than \$40,000 of weekly indemnity.

Hospital—Less than \$10,000 of daily benefit.

Surgical—Less than 2,000 exposure units of the \$150, \$200, or \$300 maximum benefit schedules.

Ratios of Actual to Tabular Claims

The results of the study are presented in the form of ratios of actual to tabular claims. The tabular factors as described and published in the *1961 and 1962 Reports* have been expanded where necessary to reflect more liberal benefits, additional plans, and separate maternity benefits.

1957 Surgical tabulars for the \$300 schedule were derived by applying appropriate nonmaternity factors from Mr. Miller's Table R, *TSA*, X, 503, to the 1957 Surgical tabulars for the \$200 schedule. The maternity portion of the \$300 schedule tabular is 150 per cent of the \$200 schedule tabular. The tabulars for the \$300 schedule are shown in Table 12.

Current experience confirms the Committee's earlier views regarding certain characteristics of the tabulars, namely, that the relationship between male and female tabulars is satisfactory for weekly indemnity and hospital, but the male surgical tabular is relatively low and the female surgical tabular is relatively high; that the hospital tabulars yield consistent results when the actual to tabular ratios are examined by the amounts of daily benefit provided; and that there is a tendency for the ratio of actual to tabular to increase as the surgical maximum benefit increases.

The Committee wishes to point out that the presentation of Group Accident and Health experience in the form of ratios of actual to tabular claims is still in the experimental state, with many factors affecting experience not reflected by the tabulars. For example, the tabulars do not contemplate a variation in experience caused by the age distribution or the geographic location of the employees. These limitations, as well as other factors which may influence the results of an analysis according to a particular characteristic of the experience, would indicate that caution should be used when interpreting the data contained in these reports.

Contributing Companies

Nine companies have contributed to the investigation covered in this report. The results are the composite experience of variations in company

practice, in underlying administration and claim procedures, as well as variations in experience among groups. It should be recognized that many groups may have significantly different claim costs from those indicated in this report.

This report contains experience for years labeled 1958, 1959, 1960, 1961, 1962, and 1963. The majority of the companies contribute exposure and claims based upon policy years ending in the calendar year designated; others have contributed using different periods. When the various contributions are weighted according to the period covered, the central point of the exposure appears to be December, except for the 1958 experience which was September, 1957. The assumption was made that each company's contribution was distributed uniformly over the period of exposure, which may be improper because of a concentration of policy renewals in January and July.

The following companies contributed experience for the investigation covered in this report:

Aetna Life Insurance Company
Connecticut General Life Insurance Company
Continental Assurance Company
Equitable Life Assurance Society
John Hancock Mutual Life Insurance Company
Metropolitan Life Insurance Company
Occidental Life Insurance Company of California
Prudential Insurance Company of America
The Travelers Insurance Company

Members of the Society may obtain "Instructions to Contributing Companies," used to prepare contributions for these studies, by writing the chairman of the Committee on Experience under Group Health Insurance.

WEEKLY INDEMNITY

The basic results of the study of Weekly Indemnity insurance are presented in Table 1, which includes all size groups for the three latest policy years combined. The exposure unit is one dollar of weekly benefit.

Experience for the 1963 policy year on groups with less than \$40,000 of Weekly Indemnity exposed is presented in Table 2. The experience of plans with six weeks maternity benefits is shown on a combined basis and separately for the nonmaternity and maternity components of a portion of this experience. The experience of plans with no maternity benefits is shown separately. The nonmaternity experience of plans with no maternity benefits appears to be more favorable than the nonmaternity experi-

ence of plans with six weeks maternity benefits. This difference may be due to the difference in the age of the group or other factors not measured by the tabular. The maternity portion of the 1947-49 Weekly Indemnity Tabular published in the *1962 Reports* does not include any adjustment for the declining birth rate since about 1957, as indicated by statistics published by the Department of Health, Education, and Welfare. As

TABLE 1
GROUP WEEKLY INDEMNITY INSURANCE
WITH SIX WEEKS MATERNITY BENEFIT
ALL SIZE GROUPS, NONRATED INDUSTRIES
COMBINED 1961-63 POLICY YEARS' EXPERIENCE, BY PLAN

Plan	Number of Experience Units	Weekly Indemnity Exposed	Actual Claims	Ratio of Actual to 1947-49 Weekly Indemnity Tabular
1-4-13.....	2,289	12,532,590	8,726,031	100%
4-4-13.....	312	1,592,330	851,184	81
1-8-13.....	8,492	41,708,910	25,491,709	97
8-8-13.....	1,196	11,822,780	7,042,091	96
Total, 13-week plans:				
All size groups.....	12,289	67,656,610	42,111,015	97%
<\$40,000 W.I.*.....	12,058	45,552,490	27,221,529	93
1-4-26.....	527	9,494,430	7,806,960	101%
4-4-26.....	86	3,292,580	3,096,259	115
1-8-26.....	3,091	52,345,850	42,236,058	110
8-8-26.....	436	22,583,120	17,051,470	106
Total, 26-week plans:				
All size groups.....	4,140	87,715,980	70,190,747	108%
<\$40,000 W.I.*.....	3,814	25,373,600	18,461,537	96
Total, all plans:				
All size groups.....	16,429	155,372,590	112,301,762	104%
<\$40,000 W.I.*.....	15,872	70,926,090	45,683,066	94

* Groups with less than \$40,000 of Weekly Indemnity.

might be expected, the maternity tabulars appear to be too high when compared to the 1963 policy year maternity experience.

Ratios of actual to tabular claims for the six latest policy years are summarized in Table 3. These ratios indicate that combined maternity and nonmaternity experience (excluding experience on groups with no maternity) has remained fairly constant over the period for all plans.

The Committee wishes to point out that the 1947-49 Weekly Indemnity Tabular is based on rather old continuation data and may, therefore,

TABLE 2
GROUP WEEKLY INDEMNITY INSURANCE
GROUPS WITH LESS THAN \$40,000 WEEKLY INDEMNITY EXPOSED, NONRATED INDUSTRIES
1963 POLICY YEAR EXPERIENCE, BY PLAN

PLAN	NONMATERNITY AND MATERNITY COMBINED EXPERIENCE*				NONMATERNITY AND MATERNITY SEPARATE EXPERIENCE*					
	Number of Experience Units	Weekly Indemnity Exposed	Actual Claims	Ratio of Actual to 1947-49 Weekly Indemnity Tabular	Number of Experience Units	Weekly Indemnity Exposed	Nonmaternity		Maternity	
							Actual Claims	Ratio A/T	Actual Claims	Ratio A/T
Plans with Six Weeks Maternity Benefit										
13-week:										
4th-day sickness	791	2,923,730	1,806,860	92%	616	2,113,220	1,275,082	96%	68,935	70%
8th-day sickness	2,797	11,387,430	6,957,397	96%	1,558	6,393,110	3,734,747	103%	323,336	65%
Total	3,588	14,311,160	8,764,257	95%	2,174	8,506,330	5,009,829	101%	392,271	66%
26-week:										
4th-day sickness	181	1,451,710	1,146,670	97%	126	890,880	680,018	98%	28,119	76%
8th-day sickness	1,012	6,813,590	4,895,535	96%	583	3,832,090	2,696,998	101%	137,387	66%
Total	1,193	8,265,300	6,042,205	96%	709	4,722,970	3,377,016	101%	165,506	68%
Plans with No Maternity Benefits										
13-week:										
4th-day sickness					185	819,730	486,569	91%		
8th-day sickness					1,923	6,206,400	3,427,621	96%		
Total					2,108	7,026,130	3,914,190	95%		
26-week:										
4th-day sickness					90	385,300	332,132	110%		
8th-day sickness					888	3,487,990	2,259,792	92%		
Total					978	3,873,290	2,591,924	94%		

* The separate experience exposure is less than the combined experience exposure because separate experience is not available for all groups.

be unsuitable for purposes other than the measurement of trends based on the plans studied by the Committee.

HOSPITAL

The basic results of the study of Hospital Expense insurance are presented in Table 4 for plans grouped according to nonmaternity room-and-board duration and miscellaneous-fee benefit. The experience shown is for all size groups for the three latest policy years.

Experience for the 1963 policy year on groups with less than \$10,000 of daily benefit exposed is presented in Table 5. Experience of plans with

TABLE 3
GROUP WEEKLY INDEMNITY INSURANCE
WITH SIX WEEKS MATERNITY BENEFIT
GROUPS WITH LESS THAN \$40,000 WEEKLY INDEMNITY EXPOSED
NONRATED INDUSTRIES
RATIOS OF ACTUAL CLAIMS TO 1947-49 WEEKLY INDEMNITY TABULAR
LATEST SIX POLICY YEARS, BY PLAN

Plan	1958	1959	1960	1961	1962	1963
13-week plans:						
4th-day sickness.....	96% 90	94% 90	96% 92	92% 93	91% 91	92% 96
8th-day sickness.....						
Total.....	91%	91%	93%	93%	91%	95%
26-week plans:						
4th-day sickness.....	99% 95	99% 97	95% 98	95% 95	94% 98	97% 96
8th-day sickness.....						
Total.....	96%	97%	97%	95%	97%	96%

maternity benefits is shown on a combined basis and separately for the nonmaternity and maternity components of a portion of this experience. For the employee coverage, the combined experience is a mixture of 10× and 14 + *n*× maternity, while the separate experience is essentially all 10× maternity. The nonmaternity experience of plans with no maternity or "other" maternity benefits is shown separately. The maternity portion of the 1957 Hospital Tabular has not been adjusted to reflect the declining birth rate, as indicated in the discussion of Weekly Indemnity experience, and the maternity ratios of actual to tabular indicate that the maternity tabular appears to be too high when compared to the 1963 policy year maternity experience.

Ratios of actual to tabular claims for the six latest years for groups

TABLE 4
EMPLOYEE AND DEPENDENT GROUP HOSPITAL EXPENSE INSURANCE
ALL SIZE GROUPS, EMPLOYEE-RATED INDUSTRIES EXCLUDED
COMBINED 1961-63 POLICY YEARS' EXPERIENCE, BY PLAN

Plan	Number of Experience Units	Daily Benefit Exposed	Actual Claims	Ratio of Actual to 1957 Hospital Tabular
<i>Employee</i>				
With maternity benefits*				
31 day:				
10×.....	2,938	4,975,163	9,221,914	107%
15×.....	1,051	1,937,810	3,722,344	109
20×.....	2,597	4,223,533	8,669,350	114
20×+75% of excess	905	1,326,768	3,096,451	122
70 day:				
10×.....	543	1,012,392	2,008,747	115
15×.....	395	1,172,420	2,475,005	123
20×.....	2,691	4,658,085	9,824,076	117
20×+75% of excess	1,403	2,151,347	5,160,122	125
120 day:				
10×.....	20	49,503	98,840	122
15×.....	23	37,205	81,355	120
20×.....	229	703,776	1,428,690	117
20×+75% of excess	156	365,317	872,615	126
Total.....	12,951	22,613,319	46,659,509	115%
<i>Dependent</i>				
With maternity benefits†				
31 day:				
10×.....	2,522	3,003,677	11,651,134	111%
15×.....	1,114	1,212,573	5,295,695	120
20×.....	3,220	3,458,513	15,625,542	124
20×+75% of excess	1,107	1,105,153	5,375,778	125
70 day:				
10×.....	482	721,878	2,653,300	105
15×.....	383	577,725	2,663,280	127
20×.....	3,464	3,768,272	17,269,907	127
20×+75% of excess	1,751	1,990,960	10,015,843	131
120 day:				
10×.....	22	45,934	161,995	105
15×.....	31	60,683	258,646	122
20×.....	330	546,831	2,489,053	130
20×+75% of excess	219	341,886	1,840,078	142
Total.....	14,645	16,834,085	75,300,251	123%
With no maternity benefits				
31 day:				
10×.....	297	507,837	1,666,843	121%
70 day:				
10×.....	65	276,822	947,815	130
Total.....	362	784,659	2,614,658	124%

* 10× or 14 + *×. Plans with "other" maternity benefits are excluded.

† 10×, subject to a nine-month waiting period. Plans with "other" maternity benefits are excluded.

TABLE 5

EMPLOYEE AND DEPENDENT HOSPITAL EXPENSE INSURANCE
 GROUPS WITH LESS THAN \$10,000 DAILY BENEFIT EXPOSED, EMPLOYEE-RATED INDUSTRIES EXCLUDED
 1963 POLICY YEAR EXPERIENCE, BY PLAN

PLAN	NONMATERNITY AND MATERNITY COMBINED EXPERIENCE*				NONMATERNITY AND MATERNITY SEPARATE EXPERIENCE*					
	Number of Experience Units	Daily Benefit Exposed	Actual Claims	Ratio of Actual to 1957 Hospital Tabular	Number of Experience Units	Daily Benefit Exposed	Nonmaternity		Maternity	
							Actual Claims	Ratio A/T	Actual Claims	Ratio A/T
Employee Plans with 10× and 14+× Maternity Benefits										
10×										
31 day.....	751	971,932	1,835,161	110%	371	488,346	836,642	114%	55,025	70%
70 day.....	175	257,055	500,642	114	53	89,896	163,684	120	13,731	98
120 day.....	7	17,698	39,157	137						
Total.....	933	1,246,685	2,374,960	111%	424	578,242	1,000,326	115%	68,756	74%
15×										
31 day.....	298	398,936	822,244	118%	208	272,335	524,745	119%	22,866	65%
70 day.....	135	201,033	417,695	117	66	100,613	188,373	119	10,526	101
120 day.....	7	8,040	18,285	117	2	3,381	7,559	144	504	65
Total.....	440	608,009	1,258,224	117%	276	376,329	720,677	119%	33,896	73%
20×										
31 day.....	793	1,140,868	2,410,133	120%	525	782,142	1,532,149	121%	76,060	78%
70 day.....	958	1,313,971	2,750,917	117	563	745,977	1,440,290	118	78,017	81
120 day.....	92	172,443	344,774	115	44	87,546	156,287	114	9,860	84
Total.....	1,843	2,627,282	5,505,824	118%	1,132	1,615,665	3,128,726	119%	163,937	80%
20× +75% of excess.....										
31 day.....	248	343,815	841,366	127%	188	275,981	647,657	132%	34,011	77%
70 day.....	383	544,009	1,358,319	130	230	332,208	770,506	129	34,394	87
120 day.....	43	66,322	152,156	125	16	30,639	60,757	112	1,004	47
Total.....	674	954,146	2,351,841	128%	434	638,828	1,478,920	130%	69,409	81%
Employee Plans with "Other" Maternity Benefits†										
Total.....					146	231,205	447,964	120%		

* The separate experience exposure is less than the combined experience exposure because separate experience is not available for all groups.

† Nonmaternity experience only submitted for these plans.

TABLE 5—Continued

PLAN	NONMATERNITY AND MATERNITY COMBINED EXPERIENCE*				NONMATERNITY AND MATERNITY SEPARATE EXPERIENCE*					
	Number of Experience Units	Daily Benefit Exposed	Actual Claims	Ratio of Actual to 1957 Hospital Tabular	Number of Experience Units	Daily Benefit Exposed	Nonmaternity		Maternity	
							Actual Claims	Ratio A/T	Actual Claims	Ratio A/T
Dependent Plans with 10× Maternity Benefits										
10×										
31 day.....	760	745,766	2,805,724	108%	435	403,968	1,262,520	117%	273,468	82%
70 day.....	169	223,235	863,036	112	70	109,178	360,924	126	67,187	76
120 day.....	7	14,104	51,215	110	1	2,829	9,576	137	2,332	104
Total.....	936	983,105	3,719,975	109%	506	515,975	1,633,020	119%	342,987	81%
15×										
31 day.....	351	318,685	1,393,795	121%	235	235,574	778,515	129%	151,596	86%
70 day.....	146	175,519	727,095	117	82	93,512	338,360	136	74,497	99
120 day.....	12	24,293	106,479	129	3	3,850	11,707	121	2,270	75
Total.....	509	518,497	2,227,369	120%	320	332,936	1,128,582	131%	228,363	90%
20×										
31 day.....	1,098	1,105,721	5,081,299	127%	666	711,439	2,654,985	135%	566,257	98%
70 day.....	1,435	1,259,399	5,845,132	129	779	682,033	2,561,404	136	517,017	94
120 day.....	158	189,169	862,580	130	68	73,403	261,410	136	49,790	86
Total.....	2,691	2,554,289	11,789,011	129%	1,513	1,466,875	5,477,799	136%	1,133,064	96%
20× +75% of excess										
31 day.....	307	308,257	1,522,488	129%	212	225,566	934,757	139%	167,621	91%
70 day.....	551	554,707	2,966,108	139	272	291,588	1,361,219	155%	246,216	104
120 day.....	77	85,018	422,896	134	25	45,307	207,514	156	39,114	107
Total.....	935	947,982	4,911,492	135%	509	562,461	2,503,490	149%	452,951	99%
Dependent Plans with "Other" Maternity Benefits†										
Total.....					236	221,043	770,778	129%		
Dependent Plans with No Maternity Benefits										
Total.....					128	124,718	427,145	125%		

* The separate experience exposure is less than the combined experience exposure because separate experience is not available for all groups.

† Nonmaternity experience only submitted for these plans.

with maternity experience (except for a small amount of dependent experience with no maternity benefits) are summarized in Table 6. The employee experience continues to show a substantial increase in claim cost by year of experience. The dependent experience, although irregular, also indicates increasing claim costs by year of experience. Because of the age of the data and the substantial increases in claim cost which have occurred in the past, caution should be used when projecting the data contained in these reports to estimate current or future claim costs.

The ratios in Table 6 also indicate that the use of the 1957 Hospital Tabular results in a higher ratio of actual to tabular claims as the size of the

TABLE 6
EMPLOYEE AND DEPENDENT GROUP HOSPITAL EXPENSE INSURANCE
GROUPS WITH LESS THAN \$10,000 DAILY BENEFIT EXPOSED
EMPLOYEE-RATED INDUSTRIES EXCLUDED
RATIOS OF ACTUAL CLAIMS TO 1957 HOSPITAL TABULAR
LATEST SIX POLICY YEARS, BY PLAN

Plan	1958	1959	1960	1961	1962	1963
<i>Employee*</i>						
10X.....	95%	102%	104%	106%	107%	111%
15X.....			107	106	109	117
20X.....	99	108	111	112	115	118
20X+75% of excess.....			116	119	124	128
<i>Dependent*</i>						
10X.....	94	104	106	109	112	110
15X.....			113	116	122	120
20X.....	107	116	116	121	127	129
20X+75% of excess.....			122	129	129	135

* Employee with 10X or 14 + nX maternity; dependent with 10X maternity or no maternity. Plans with "other" maternity benefits are excluded.

miscellaneous benefit increases. The 1957 Hospital Tabular is based upon an annual frequency of claim which does not vary by plan and an average miscellaneous benefit which does vary by plan. This average benefit is based upon an actual distribution of miscellaneous benefit charges. No direct evidence is available to indicate whether the variations in actual to tabular by miscellaneous benefit are the results of inflation, the average miscellaneous benefit assumed by the tabular, an increased frequency of claim under plans with larger miscellaneous benefits, or of other factors.

Table 7 shows the results of an analysis of employee plus dependent experience for all plans by state for the three latest policy years combined. The experience is presented for all exposure size groups combined and for groups with exposures of less than \$10,000 of daily benefit. The groups included in the experience for any state are those groups with 75 per cent

TABLE 7
EMPLOYEE AND DEPENDENT GROUP HOSPITAL EXPENSE INSURANCE
EMPLOYEE-RATED INDUSTRIES EXCLUDED
COMBINED 1961-63 POLICY YEARS' EXPERIENCE, BY STATE

LOCATION CODE	STATE OR REGION	GROUPS WITH LESS THAN \$10,000 DAILY BENEFIT EXPOSED				ALL SIZE GROUPS, RATIO A/T*
		Number of Experience Units	Daily Benefit Exposed	Actual Claims	Ratio A/T*	
	Total, all locations	27,891	30,982,189	97,841,943	120%	120%
20....	Region	66	102,119	268,356	113%	116%
21....	Connecticut	613	908,547	2,477,462	110	113
22....	Maine	169	258,350	779,453	119	107
23....	Massachusetts	1,257	1,570,238	4,270,869	112	112
24....	New Hampshire	185	332,928	804,317	102	107
25....	Rhode Island	26	32,216	103,345	121	121
26....	Vermont	134	187,974	467,789	110	110
	Total	2,450	3,392,372	9,171,591	111%	111%
30....	Region	53	68,955	196,566	110%	110%
31....	Delaware	18	36,115	94,969	110	110
32....	Dist. of Columbia	77	109,791	307,274	121	121
33....	New Jersey	688	608,686	1,549,552	103	102
34....	New York	2,016	2,085,011	5,348,747	106	109
35....	Pennsylvania	2,484	2,747,872	7,836,372	113	114
	Total	5,336	5,656,430	15,333,480	109%	111%
40....	Region	258	294,365	1,012,159	129%	134%
41....	Illinois	2,235	2,427,408	7,896,238	120	118
42....	Indiana	1,308	1,601,559	4,721,662	111	112
43....	Kentucky	207	180,965	524,878	114	123
44....	Michigan	1,416	1,678,729	5,603,330	134	131
45....	Ohio	1,650	2,303,406	7,234,188	120	120
46....	Wisconsin	663	897,222	3,025,924	125	122
47....	West Virginia	404	348,874	1,227,223	125	125
	Total	8,141	9,732,528	31,245,602	122%	121%
50....	Region	59	75,761	259,504	125%	125%
51....	Iowa	508	416,293	1,593,786	131	131
52....	Kansas	384	333,247	1,203,377	130	140
53....	Minnesota	321	275,824	1,068,966	133	128
54....	Missouri	734	615,235	2,156,370	123	128
55....	Nebraska	289	276,210	926,816	124	124
56....	North Dakota	40	33,741	130,296	142	142
57....	South Dakota	53	18,906	85,270	145	145
	Total	2,388	2,045,217	7,424,385	128%	130%

* Ratio of actual to 1957 Hospital Tabular. Note that these ratios are not expressed as a percentage of the national average. For the distribution of experience in this table, the national average is shown in "Total, all locations."

TABLE 7—Continued

LOCATION CODE	STATE OR REGION	GROUPS WITH LESS THAN \$10,000 DAILY BENEFIT EXPOSED				ALL SIZE GROUPS, RATIO A/T*
		Number of Experience Units	Daily Benefit Exposed	Actual Claims	Ratio A/T*	
60....	Region	7	6,340	17,674	137%†	137%†
61....	Colorado	105	83,639	306,801	143	143
62....	Idaho	61	56,851	175,915	109	109
63....	Montana	19	33,975	92,074	104	104
64....	Nevada	18	21,802	77,014	135	143
65....	Utah	66	81,243	208,259	107	106
66....	Wyoming	6	4,842	16,735	126†	126†
	Total	282	288,692	894,472	120%	120%
70....	Region	10	12,155	38,183	111%†	117%
71....	California	405	436,842	1,376,235	117	122
72....	Oregon	73	35,502	91,138	99	99
73....	Washington	91	98,990	262,572	95	92
	Total	579	583,489	1,768,128	112%	116%
80....	Region	79	73,742	277,258	142%	142%
81....	Arizona	124	145,289	572,794	147	142
82....	Arkansas	365	317,394	1,117,071	124	122
83....	Louisiana	533	351,533	1,499,288	151	150
84....	New Mexico	68	50,946	205,167	129	145
85....	Oklahoma	310	207,746	825,177	131	133
86....	Texas	1,372	1,218,604	4,670,200	136	136
	Total	2,851	2,365,254	9,166,955	137%	137%
90....	Region	179	337,277	1,097,082	115%	115%
91....	Alabama	213	165,957	649,962	144	144
92....	Florida	627	682,184	2,403,574	128	133
93....	Georgia	802	811,605	2,669,769	123	123
94....	Maryland	465	513,467	1,438,369	109	109
95....	Mississippi	208	136,511	570,682	144	144
96....	North Carolina	939	826,905	2,642,914	118	120
97....	South Carolina	223	216,638	706,159	121	122
98....	Tennessee	430	458,284	1,635,793	131	134
99....	Virginia	869	751,607	2,319,010	119	113
	Total	4,955	4,900,435	16,133,314	122%	122%
01....	Hawaii	16	43,569	169,029	101%	100%
02....	Alaska	15	18,194	34,689	87†	87†
	Total, States and Regions	27,013	29,026,180	91,341,645	120%	120%
	All other‡	878	1,956,009	6,500,298	119%	121%

† Less than \$50,000 of tabular claims.

‡ Less than 75 per cent of employees in one state or region.

or more of the insured employees in that state. Where it was not possible to assign a group to a particular state, it was assigned to a region if 75 per cent or more of the insured employees were in that region.

When interpreting the variations in experience by area, it should be borne in mind that the hospital tabulars do not include an adjustment for the expected variation in costs by area. On the other hand, the tabulars do recognize that for any given dollar maximum miscellaneous-fee benefit the average benefit payable will increase as the dollar amount of daily benefit increases. For the 1957 Hospital Tabular to produce reasonably accurate miscellaneous-fee claim costs, it is necessary that the amount of daily benefit provided be reasonably related to the level of hospital room-and-board charges. The area variations in experience shown in Table 7 may be due to variations in the relationship of miscellaneous charges to room-and-board charges in an area, variations in frequency or average duration of hospital confinement, or a combination of these factors. However, since the daily room-and-board benefit provided is limited to a dollar amount and the miscellaneous-fee benefits provided have aggregate dollar maximums, it is possible that a substantial part of the variations in experience for area shown in Table 7 is due to the frequency of hospital confinement.

The volume of hospital experience shown for California is relatively small and may be atypical because of the exclusion of employee hospital plans which are integrated with California UCD hospital benefits.

The results of the area analysis can be presented only as a composite experience of groups having various industry classifications, distributions of exposure by age, and different types of claim administration. Moreover, it should be understood that the experience of any particular area is affected by various social and economic factors and that variations in experience may be chance fluctuations resulting from an insufficient volume of experience. The analysis indicates a higher claim level in the Plains States and the Southwestern States. A lower claim level is indicated in the Middle Atlantic States and the New England States. The experience of some states within a given region varies considerably from the region average. There may also be marked variations within a given state.

SURGICAL

The basic results of the study of Surgical Expense insurance are presented in Table 8 for the three latest policy years combined.

Experience for the 1963 policy year on groups with less than 2,000 surgical units exposed is presented in Table 9. Separate obstetrical and nonobstetrical experience is shown as in Tables 2 and 5 for weekly indem-

nity and hospital. This table includes, for the first time, the experience of the \$300 surgical schedule, with tabular claims based upon the values shown in Table 12. The experience of the \$300 schedule is not included in any of the other tables in this report. As was noted with respect to the weekly indemnity and hospital maternity experience, the obstetrical por-

TABLE 8
EMPLOYEE AND DEPENDENT GROUP SURGICAL EXPENSE INSURANCE
ALL SIZE GROUPS, ALL INDUSTRIES
COMBINED 1961-63 POLICY YEARS' EXPERIENCE, BY PLAN

Plan	Number of Experience Units	Maximum Indemnity Exposed per \$150 or \$200 Basic Units	Actual Claims	Ratio of Actual to 1957 Surgical Tabular
<i>Employee</i>				
With obstetrical benefits*				
\$150 schedule	4,276	1,187,009	5,261,911	111%
\$200 schedule	17,357	4,848,788	28,890,507	111
Total	21,633	6,035,797	34,152,418	111%
<i>Dependent</i>				
With obstetrical benefits*				
\$150 schedule	2,612	595,830	7,669,239	104%
\$200 schedule	18,050	3,227,560	52,299,053	108
Total	20,662	3,823,390	59,968,292	107%
No obstetrical benefits				
\$150 schedule	348	90,237	838,059	121%
\$200 schedule	3,309	489,131	6,479,445	129
Total	3,657	579,368	7,317,504	128%

* Plans with "other" obstetrical benefits are excluded. Dependent obstetrical benefits are subject to a nine-month waiting period.

tion of the 1957 surgical tabulars appears to be too high when compared to the 1963 policy year obstetrical experience.

Ratios of actual to tabular claims for the six latest years are summarized in Table 10. A modest trend toward higher claim levels on plans with obstetrical benefits is indicated. Exposures and claims are not reproduced in this table since they are available elsewhere in this and earlier reports. The 1961 exposure for "Dependent, with Obstetrical Benefits" under the \$200 schedule, as published in Table 8 of the *1963 Reports*, should be corrected to read "795,890."

TABLE 9
EMPLOYEE AND DEPENDENT SURGICAL EXPENSE INSURANCE
GROUPS WITH LESS THAN 2,000 SURGICAL UNITS EXPOSED, ALL INDUSTRIES
1963 POLICY YEAR EXPERIENCE, BY PLAN

PLAN	NONOBSTETRICAL AND OBSTETRICAL COMBINED EXPERIENCE*				NONOBSTETRICAL AND OBSTETRICAL SEPARATE EXPERIENCE*					
	Number of Experience Units	Maximum Surgical Indemnity Exposed	Actual Claims	Ratio of Actual to 1957 Surgical Tabular	Number of Experience Units	Maximum Surgical Indemnity Exposed	Nonobstetrical		Obstetrical	
							Actual Claims	Ratio A/T	Actual Claims	Ratio A/T
Employee Plans with Standard Obstetrical Benefits										
\$150.....	1,149	231,521	1,060,442	111%	525	85,584	347,386	120%	53,863	78%
\$200.....	5,262	1,069,372	6,515,001	111	2,769	541,277	2,953,752	114	281,554	81
\$300.....	793	139,444	1,079,631	107	549	111,619	761,732	108	85,328	77
Total.....	7,204	1,440,337	8,655,074	111%	3,843	738,480	4,062,870	113%	420,745	80%
Employee Plans with "Other" Obstetrical Benefits†										
Total.....					186	32,591	164,542	107%		
Dependent Plans with Standard Obstetrical Benefits										
\$150.....	776	140,515	1,798,420	103%	358	54,492	501,070	120%	186,351	72%
\$200.....	6,225	909,361	14,732,675	108	3,151	434,494	5,240,017	118	1,754,761	85
\$300.....	1,225	131,897	3,048,012	114	648	91,627	1,509,092	125	587,679	90
Total.....	8,226	1,181,773	19,579,107	108%	4,157	580,613	7,250,179	119%	2,528,791	85%
Dependent Plans with "Other" Obstetrical Benefits†										
Total.....					266	30,826	384,567	122%		
Dependent Plans with No Obstetrical Benefits										
\$150.....					103	19,830	187,778	123%		
\$200.....					1,112	117,461	1,492,588	124		
\$300.....					274	18,650	326,502	133		
Total.....					1,489	155,991	2,006,868	125%		

* The separate experience exposure is less than the combined experience exposure because separate experience is not available for all groups.
† Nonobstetrical experience only submitted for these plans.

Table 11 contains an analysis of surgical experience by state for the three latest policy years corresponding to Table 7 for hospital experience. The experience of all plans except the \$300 schedule is included in Table 7. Some of the warnings given with respect to the interpretation of hospital experience by area also apply to the surgical experience. The Committee would like to point out that the tabulars do not include a factor for variations in claim costs by area or by amount of schedule maximum.

The surgical analysis by area indicates a higher claim level in the Mountain States, the Pacific States, and the Southwestern States. A lower claim level is indicated in the Middle Atlantic States and the New England States. The experience of some states within a given region varies considerably from the region average. There may also be marked variations within a given state.

The surgical variations in ratios of actual to tabular claims by area are probably due primarily to the variations in claim frequencies, since nearly all claim payments are for the maximum amount allowed by the procedure performed. If frequencies are the same, minor variations in the ratios by area may still occur because of differing frequency distributions of procedures performed, provided such distributions result in different average benefits.

TABLE 10
EMPLOYEE AND DEPENDENT SURGICAL EXPENSE INSURANCE
GROUPS WITH LESS THAN 2,000 SURGICAL UNITS EXPOSED, ALL INDUSTRIES
RATIOS OF ACTUAL CLAIMS TO 1957 SURGICAL TABULAR
LATEST SIX POLICY YEARS, BY PLAN

Plan	1958	1959	1960	1961	1962	1963
<i>Employee</i>						
With obstetrical benefits*						
\$150 schedule.....	103%	109%	109%	106%	105%	111%
\$200 schedule.....	103	107	106	107	108	111
<i>Dependent</i>						
With obstetrical benefits*						
\$150 schedule.....	99	104	100	101	100	103
\$200 schedule.....	102	104	104	107	107	108
With no obstetrical benefits						
\$150 schedule.....	107	104	123	122	124	123
\$200 schedule.....	119	124	116	123	129	124

* Plans with "other" obstetrical benefits are excluded.

TABLE 11
EMPLOYEE AND DEPENDENT GROUP SURGICAL EXPENSE INSURANCE
ALL INDUSTRIES
COMBINED 1961-63 POLICY YEARS' EXPERIENCE, BY STATE

LOCATION CODE	STATE OR REGION	GROUPS WITH LESS THAN 2,000 SURGICAL UNITS EXPOSED				ALL SIZE GROUPS, RATIO A/T*
		Number of Experience Units	Maximum Surgical Indemnity Exposed	Actual Claims	Ratio A/T*	
	Total, all locations	45,709	7,312,704	72,086,465	108%	110%
20....	Region	146	29,140	249,098	95%	97%
21....	Connecticut	1,013	219,529	2,091,265	101	101
22....	Maine	184	30,680	278,167	108	108
23....	Massachusetts	1,752	292,699	2,650,135	102	105
24....	New Hampshire	221	54,954	442,741	93	94
25....	Rhode Island	87	11,768	86,794	106	106
26....	Vermont	189	28,000	237,252	104	104
	Total	3,592	666,770	6,035,452	101%	103%
30....	Region	116	32,055	299,871	92%	93%
31....	Delaware	22	3,595	34,396	115†	115†
32....	Dist. of Columbia	142	25,938	211,226	94	93
33....	New Jersey	946	117,838	1,042,954	95	101
34....	New York	3,088	463,418	4,043,036	99	102
35....	Pennsylvania	3,686	582,374	5,291,131	104	104
	Total	8,000	1,225,218	10,922,614	101%	102%
40....	Region	478	104,628	1,178,927	114%	113%
41....	Illinois	3,879	616,332	5,266,510	95	95
42....	Indiana	1,855	293,965	2,983,010	113	112
43....	Kentucky	311	34,379	312,299	105	109
44....	Michigan	2,300	360,798	3,971,814	118	119
45....	Ohio	2,981	597,232	5,888,776	107	108
46....	Wisconsin	879	168,270	1,917,692	114	114
47....	West Virginia	538	59,486	557,299	107	107
	Total	13,221	2,235,090	22,076,327	107%	107%
50....	Region	81	23,774	270,460	120%	116%
51....	Iowa	819	106,581	1,147,384	118	118
52....	Kansas	565	82,123	862,877	110	112
53....	Minnesota	609	94,673	1,310,702	124	127
54....	Missouri	1,096	169,845	1,629,002	102	104
55....	Nebraska	357	39,528	392,753	109	109
56....	North Dakota	109	9,776	90,723	102	102
57....	South Dakota	102	8,681	93,474	107	107
	Total	3,738	534,981	5,797,375	112%	113%

* Ratio of actual to 1957 Surgical Tabular. Note that these ratios are not expressed as a percentage of the national average. For the distribution of experience in this table, the national average is shown in "Total, all locations."

† Less than \$50,000 of tabular claims.

TABLE 11—Continued

LOCATION CODE	STATE OR REGION	GROUPS WITH LESS THAN 2,000 SURGICAL UNITS EXPOSED				ALL SIZE GROUPS, RATIO A/T*
		Number of Expe- rience Units	Maximum Surgical Indemnity Exposed	Actual Claims	Ratio A/T*	
60....	Region	9	4,072	52,219	146%†	141%
61....	Colorado	175	24,118	271,464	121	135
62....	Idaho	101	15,308	146,910	108	109
63....	Montana	62	11,995	135,527	121	121
64....	Nevada	69	15,716	165,303	121	121
65....	Utah	179	28,506	370,537	131	135
66....	Wyoming	13	899	10,018	105†	105†
	Total	608	100,614	1,151,978	123%	130%
70....	Region	35	9,138	114,890	122%	125%
71....	California	3,081	418,864	4,612,191	127	130
72....	Oregon	179	24,633	282,102	122	122
73....	Washington	217	30,719	341,377	115	109
	Total	3,512	483,354	5,350,560	125%	128%
80....	Region	77	11,070	119,957	121%	121%
81....	Arizona	254	38,332	449,560	130	144
82....	Arkansas	497	71,939	655,819	106	105
83....	Louisiana	823	87,819	937,312	122	127
84....	New Mexico	130	21,131	232,234	117	112
85....	Oklahoma	518	56,460	649,017	128	128
86....	Texas	2,543	346,336	3,557,740	119	120
	Total	4,842	633,087	6,601,639	120%	122%
90....	Region	179	42,896	389,257	97%	100%
91....	Alabama	309	57,103	540,014	113	113
92....	Florida	937	126,722	1,310,807	115	115
93....	Georgia	899	113,361	1,057,960	107	109
94....	Maryland	661	97,899	888,310	102	111
95....	Mississippi	392	40,324	418,343	109	109
96....	North Carolina	1,149	137,929	1,298,519	103	103
97....	South Carolina	334	47,762	456,259	111	115
98....	Tennessee	290	45,982	483,666	116	120
99....	Virginia	1,147	114,157	992,951	101	103
	Total	6,297	824,135	7,836,086	107%	109%
01....	Hawaii	27	9,898	128,786	112%	121%
02....	Alaska	34	2,408	23,746	112†	112†
	Total, States and Regions	43,871	6,715,555	65,924,563	108%	110%
	All other‡	1,838	597,149	6,161,902	108%	111%

† Less than 75 per cent of employees in one state or region.

TABLE 12
 1957 SURGICAL TABULAR
 ANNUAL CLAIM COSTS
 PER BASIC UNIT INDICATED

PER CENT FEMALE	BASIC UNIT—\$300 SCHEDULE	
	Employee, with Obstetrical Benefits	Employee, No Obstetrical Benefits
Male	\$ 5.68	\$5.68
Less than 11%	6.06	5.83
11-21	6.79	6.11
21-31	7.52	6.39
31-41	8.25	6.67
41-51	8.98	6.95
51-61	9.73	7.24
61-71	10.46	7.52
71-81	11.19	7.80
81-91	11.92	8.08
91-100	12.65	8.36
Female.....	13.03	8.51
	Dependent, with Obstetrical Benefits	Dependent, No Obstetrical Benefits
	\$20.29	\$13.15