

“REVISING CLASSIFICATION STRUCTURE USING SURVEY DATA”

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DISCUSSION BY CHARLES GRUBER

New York State has three crop-raising farm classifications: fruit farms; vegetable and berry farms; farms, not otherwise classified. Before 1965, the basis for assigning a farm to either the fruit or vegetable farm classification was the acreage used for different types of crops. If more than 50% of the farm's acreage was used for fruit or vegetable production, the farm was assigned to the fruit or vegetable classification. After a study in 1965, the New York Compensation Insurance Rating Board felt that the 50% acreage requirement did not properly allocate the farm compensation hazard and changed it to an income requirement: annual income from the sales of fruit or vegetables must constitute more than 50% of the total farm income.

In his 1965 report to the New York State Conference Board of Farm Organizations, Robert S. Smith from the New York State College of Agriculture at Cornell University listed the two major assumptions which underlie the income requirement of the Board's classification structure:

1. The frequency of occurrence of work associated injuries on farm enterprises is directly related to the degree of mechanization of the enterprise, and varies significantly between enterprises or types of farming.
2. Classification by type of farming effectively divides farms by degree of mechanization and therefore by frequency of work associated injuries which can be expected.

A 1974 National Council on Compensation Insurance farm study also stressed the importance of mechanization in determining farm classifications. The National Council created new farm statistical classifications to develop experience.

Both the New York Board and the National Council farm classification studies relied on staff field trips, special farm reports and data developed by state and farm organizations. Messrs. Skurnick, Heyer and Funkhouser have presented an alternate and viable mail survey approach for study and revision of farm classifications structures.

The farm survey results, however, are only applicable to California farms. It would have been most informative if the survey had also asked for cause of loss in order to determine how loss is affected by a farm's degree of mechanization. The survey might also have tried to develop an index of mechanization for each crop; e.g., amount of payroll attributable to machine operations. This crop mechanization index, used as a loss relativity indicator between crops, might then have been useful for classifying farms in other states since farm operations for a particular crop are similar countrywide.

Surveys have previously been used in classification studies, most notably the one utilized by the National Bureau of Casualty Underwriters and the National Automobile Underwriters Association in producing the 1964 Private Passenger Automobile 260 Classification Plan. This survey sampled approximately 300,000 automobile risks written by seventeen company groups.