Insurance practices in Iowa public high school districts, 1960-1965

Marvin Gene Coffey

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by

Marvin Gene Coffey

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CHAPTER I. INTRODUCTION

Insurance is one of the important items of annual school expenditures transacted in Iowa by local school officials. The insurance contract, or contracts, protects millions of dollars of school property and must be considered a paramount area of school administration.

Until recent years, little or no training was provided for prospective school administrators by institutions of higher learning in this significant field. Many current textbooks on school administration merely mention this topic. For instance, an outstanding text in this field (27, p. 542), containing some 600 pages, devotes only ten pages to the subject of school insurance.

The matter of school insurance has become big business with the annual cost to local taxpayers of Iowa running over half a million dollars. The cost of fire protection alone for 524 high schools was reported by Simpson to exceed two million dollars for the period of July 1, 1953 to June 30, 1958 (62, p. 93). During the past three decades, insurance programs have grown rapidly from the time fire insurance and fidelity bonds were the only two kinds of insurance carried by many local boards of education. Currently, Iowa school boards, in addition to fire insurance and fidelity bonds, carry extended coverage, motor vehicle, general liability, boiler, workmen's compensation, and all-risk insurance.

Insurance officials as well as school officials have neglected the development of properly tailored insurance programs for educational institutions. The insurance companies have historically grouped schools with other public institutions and until the last decade did not give public
schools the special attention that is required to provide coverage at a reasonable cost.

For the proper understanding of insurance, this quote from Linn and Joyner (43, p. 3) should prove helpful:

In effect it spreads the loss that falls upon one person (or organization or institution) equitably over others exposed to and insuring the same type of risk. By paying a small known premium regularly, the individual eliminates or reduces the possibility of a large uncertain loss.

In a book on school finance, Rosenstengel and Eastmond (53, p. 349) stated that the three main purposes of the board of education for carrying insurance on school property are:

(1) protection of the community investment, (2) protection of human lives, and (3) a guarantee of funds to provide housing facilities for the educational program of the community.

The school district has a large financial investment in its real property and in its ability to carry on the educational program for which it was created. It has been said that the total budget of the educational establishment represents the greatest annual economic outlay of most communities. Protecting the school system, and thus the very purpose of the education function, against financial losses that might cripple it is the moral obligation of all school board members.

The State of Iowa has an investment in excess of $450,000,000 for buildings and contents (62, p. 2). The necessity of protecting these assets against loss is self-evident. However, the problem of how this can best be done at the most economical cost has been an unsolved puzzle for many Iowa school officials. It is this general lack of depth of understanding and knowledge of sound insurance programs on the part of school officials that prompted this study.
The Study

The problem undertaken in this study was to ascertain how the 459 (as of July 1, 1964) public four-year high school districts of Iowa manage the various phases of the total school insurance program. The data gathered has helped to ascertain certain practices such as: (1) types of insurance carriers used; (2) types of insurance policies used; (3) how insurable values are established; (4) how insurance agents are selected; (5) how insurance companies are selected; (6) the premium-loss ratio for the years 1960-1965; and (7) current administrative procedures. Criteria for a sound insurance program was developed from literature, and in the final section of this study recommendations are made.

Purpose of the Study

One method by which school boards can protect their districts against various risks is through the purchase of insurance coverage on school property. In many states, school district liability has been increased in recent years. Because of certain court cases, a greater variety of coverage is required. Another reason for the increase in insurance coverage on school property is that school building costs and school property values have increased. During the last forty years, school building costs have increased by about 230 per cent (20, p. 1).

The study provides data to determine current school insurance practices in the public four-year high school districts of Iowa. These practices were evaluated in terms of established insurance criteria. These criteria were developed through extensive research and analyses of sound practices, by extensive investigation of recommended administrative
procedures suggested by insurance companies, and on the sound standards developed by a few school business officials who have superior insurance programs as determined by greater coverage at lower cost to the district.

The data obtained in this study forms the basis for the presentation of an insurance program in which sound insurance practices are discussed so that these procedures can be made available to Iowa school officials.

Need of the Study

School districts throughout the United States have a substantial investment in school building facilities and perhaps an even more important obligation of providing an education to the children of the district. Both the plant and the potentiality of being able to support an educational program must be protected. On the other hand, the school board is charged with the moral responsibility of receiving full value in return for all monies spent. The changes in property values, increased costs of new buildings and equipment, and the expanded scope of the school insurance program have created complex and technical management problems for school authorities (20, p. 2).

In recent years, school insurance coverage has increased greatly with the scope of most school district programs being expanded to cover a wider variety of risks. The extension of school insurance programs to include more coverage is related to changing public concepts, influenced perhaps by recent court decisions in some states, with respect to school district obligations and responsibilities (20, p. 2).

Because of the rapidly changing physical property values, the greater cost of new construction and related equipment, the broader scope of the
school insurance program, the busy administrator, and the complex nature of present needs and insurance coverage, it is important to provide guidelines and assistance where possible. The Superintendent of Public Instruction in Iowa suggested that another study of this type be completed. A previous five-year study provided assistance to local school staffs in their selection and purchase of insurance.

This study was an attempt to ascertain the most advantageous methods or practices for guarding district funds and property against a potential loss, and then to propose a total program useful to all school districts in Iowa.

Delimitations of the Study

The study was delimited to the 459 public four-year high school districts of the State of Iowa based on data from the Department of Public Instruction for the 1964-1965 school year. It was necessary to eliminate all districts reorganized between June 30, 1960 and July 1, 1964, and to include only those districts which survived as public four-year high schools.

This study was further delimited to the principles and practices of the administration of the school insurance program including the types of coverage most frequently purchased; procedures used in determining from whom and how much coverage would be procured; methods used in developing the school insurance program; and to whom the responsibility is assigned.

Definition of Terms Used

A possible explanation for the failure of some school officials to properly administer the school insurance program may be in the fact that
insurance is a highly complex field. The types and possible variations of coverage are numerous and difficult to understand without special study. The following terms taken from an insurance publication (32, p. 1-20) are included to assist those unfamiliar with insurance to better understand the special terminology.

**Actual Cash Value** Usually the cost of replacing or restoring property to its condition immediately preceding a loss.

**Adjuster** One who represents the insurer in settling claims with insureds or with third-party claimants.

**Adjustment** The process of determining the cause and amount of a loss, and the amount of indemnity that the insured may recover after allowances and deductions.

**Agent** Representative of the insurer in negotiating, servicing, or effecting insurance contracts.

**All-risks Insurance** Insurance that covers loss caused by all perils except those specifically excluded in the contract.

**Appraisal** Determination of the value of property, or of the extent of damage, usually by impartial experts.

**Assessment** Amounts levied on insured in assessment of insurance.

**Binder** A temporary insurance contract pending execution of the policy contract.

**Blanket Insurance** Insurance covering more than one item of property at more than one location.

**Boiler and Machinery Insurance** Insurance against loss due to accidents to boilers, pressure vessels, or machinery.

**Bond, Blanket** A broad bond covering all employees and, in the
case of financial institutions, including insurance against enumerated hazards.

**Bond, Fidelity** A promise to make good financial loss due to the dishonesty of employees; a financial guarantee of the performance of an implied obligation.

**Bond, Performance** A guarantee of the faithful performance of a construction contract.

**Bond, Position** A fidelity bond covering all persons occupying stated positions.

**Broker** A representative of the insured in placing insurance with carriers, but paid a commission by the insurer.

**Builders' Risk Insurance** Insurance against loss to buildings, including machinery and equipment, in course of construction, and to materials incidental to construction.

**Class Rate** The premium rate applicable to a specified class of risk.

**Clause** A provision of an insurance contract or an endorsement to the contract.

**Coinsurance** An arrangement under which the insured shares in losses in the proportion that his insurance is less than a specified percentage of the value of the property insured.

**Collision Insurance** Insurance against loss to insured property caused by striking or being struck by an object; includes loss caused by upset.

**Comprehensive Insurance** Insurance that covers, under one insuring agreement, all hazards within the general scope of the contract, except
those specifically excluded.

**Compulsory Insurance**  Insurance required by law to be carried.

**Coverage**  The extent of the insurance afforded under an insurance contract.

**Deductible Clause**  A clause in an insurance contract providing that the insurer will pay only that amount of any loss that is in excess of a specified amount.

**Deviation**  A premium rate other than the standard rate filed with a state insurance department.

**Effective Date**  The date on which a contract goes into effect and from which protection is afforded.

**Endorsement**  An amendment in writing (including print or stamping) added to and made a part of the insurance contract.

**Expiration Date**  The date on which the insurance contract terminates.

**Exposure**  The state of being exposed to the chance of loss.

**Extended Coverage Endorsement**  An endorsement on the fire insurance contract that extends the insurance to cover loss caused by windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, and smoke.

**Fire-resistive Construction**  Construction designed to offer a high degree of resistance to damage by fire, and making use of non-combustible materials.

**Fleet**  A group of five or more automobiles owned by one insured and under one direct operating management.

**Floater Policy**  An insurance contract that covers property in any
location within a specified territory.

**Foundation Exclusion Clause**  A clause excluding from coverage foundations below the level of the lowest basement floor, or if there is no basement below the level of the ground, and cost of excavations.

**Full Coverage**  Insurance against the full amount of any loss up to the amount of the insurance, without deduction.

**Hazard**  A condition, operation activity, material, or combination of these, that creates or increases probability of loss.

**Housekeeping**  The general care, cleanliness and maintenance of an insured property. Good housekeeping is a primary consideration from the underwriters' and inspectors' point of view, for poor housekeeping is a major cause of fires and accidents.

**Indemnify**  To make good a loss.

**Indemnity**  Replacement, repair, or payment of value of a loss.

**Inland Marine Insurance**  Insurance against loss connected with transportation other than on the ocean, and on certain types of personal property wherever located.

**Insurance in Force**  That part of an insurance contract which constitutes the agreement to protect the insured against loss from specified perils or to pay benefits under specified circumstances.

**Liability**  Broadly, any legally enforceable obligation. The term is most commonly used in a pecuniary sense.

**Liability Insurance**  Insurance against loss due to liability; covers both damages and expenses connected with alleged or actual liability.

**Liability Insurance, Comprehensive General**  Insurance against loss due to all claims against the insured for damages arising from his business
premises or operations (except those arising from automobiles away from the premises, and other stated exclusions).

**Limit of Liability**  The maximum amount of damages that the carrier will pay on behalf of the insured.

**Loss Ratio**  The ratio of losses to premiums.

**Manual Rates**  Premium rates for given classification of risk, published in a manual; often subject to modification for the individual risk.

**Mutual Insurance Company**  A corporation of which each insured is a member.

** Named Perils**  Named peril (or hazard) policies specify what hazards are insured against, contrary to so-called all-risk policies.

**Nonassessable Insurance**  Insurance under which the insured may not be called upon to pay an assessment in addition to his premium.

**Obligee**  The person or organization protected by a bond.

**Overinsurance**  Insurance exceeding in amount the possible loss to which it applies.

**Peril**  The cause of a possible loss.

**Policy Period**  The period during which a policy contract affords insurance.

**Policy-year**  The year commencing with the effective date of the policy or with an anniversary of that date.

**Premium Rate**  The price per unit of insurance.

**Pro-rata Clause**  A clause in an insurance contract providing that losses will be paid in the proportion that the amount of the contract bears to the entire amount of insurance covering the loss.

**Proof of Loss**  A formal written statement of a claim for payment
of loss, with supporting data.

**Rating Bureau** An organization that classifies risks and promulgates rates, usually on the basis of statistical data compiled by the bureau or of inspection of risks made by it.

**Replacement Insurance** Insurance under which the loss payable is the replacement cost of the property new. The excess over the depreciated replacement cost is payable only if the property is actually replaced.

**Risk** Chance of loss.

**Schedule Policy** An insurance policy that covers, under separate insuring agreements, several enumerated causes of loss.

**Self Insurance** Setting aside of funds by an individual or organization to meet his or its losses, and accumulation of a fund to absorb fluctuations in the amount of loss, the losses being charged against the funds so set aside or accumulated.

**Sound Value** The value of property prior to loss, (Actual Cash Value).

**Stock Insurance Company** An insurance company owned and controlled by stockholders, usually for the purpose of making profits.

**Surety** The corporation or individual guaranteeing performance or faithfulness under a bond.

**Term** The period during which a policy contract affords insurance.

**Term Policy** A policy contract written for a period of more than one year.

**Total Loss** Loss to the insured of the entire value of property or goods by destruction, damage, or deprivation.

**Underinsurance** Insurance less in amount than the possible loss to
which it applies.

**Vandalism and Malicious Mischief Insurance**  Insurance against willful injury to or destruction of property by a person or persons other than the insured.

**Waiting Period**  At the inception of disability, a period in respect of which benefits are not payable.

**Waiver**  Voluntary surrender of a right or privilege known to exist.

**Warranty**  A clause in an insurance contract prescribing a condition relating to the degree of hazard, noncompliance with which invalidates the contract.

**Workmen's Compensation Law**  A statute imposing liability on employers to pay benefits and furnish care to employees injured, and to pay benefits to dependents of employees killed, in the course of an accident because of their employment.

**Organization of the Study**

The first chapter includes the introduction, the purpose, the need, and the delimitations of the study. The next section, Chapter II, The Review of Related Literature, provides a resume of the status of school insurance and includes both a descriptive examination of the insurance field as presented in various periodicals and textbooks and a brief review of previous investigations closely related to the problem.

**Procedures Used in the Study, Chapter III**, describes the development of the instrument, the pilot study, the classification and grouping of schools, the method used to identify the public four-year high schools and the procedure used to validate the instrument.
In Chapter IV, Findings, the data collected on the questionnaire are reported. Fire and Extended Coverage Insurance, Automobile, General Liability, and the other types of coverages are presented and analyzed. Chapter V is a discussion of the findings.

The last section, the Summary, which includes the recommendations and suggestions for future investigations, is Chapter VI. This portion of the study shows the more important findings of the paper. From the findings, several recommendations will be formulated.

The Appendix of the study will include various letters and forms used in the development and completion of the study, and the Bibliography will include the various references utilized by the investigator to gain background for the completion of this work.
CHAPTER II. REVIEW OF RELATED LITERATURE

Introduction

The board of education of a school district has the responsibility of supervising the care of school property. The financial investment in the school plant and equipment in many communities constitutes the largest single outlay of funds which affects all the people (53, p. 349). In a small community, a single school fire might destroy the school district's entire investment in school buildings and equipment. This financial investment should be protected against losses from fire and other accidents, and most boards of education do this through some kind of insurance.

History of insurance

The origin of insurance is not known, however, fragmentary records indicate a primitive system for transferring loss existed in Assyria nearly 4500 years ago. The first satisfactory evidence that we have of any extensive use of the contract of insurance is to be found in the records of the Red Eagle Maritime States of Italy (44, p. 4). The conduct of business of marine insurance continued to be largely informal, governed by no fixed rules or regulations until 1769 (44, p. 4). About that time, individual underwriters who had been writing insurance formed a society and adopted rules in accordance with various customs that had developed. The first standard form policy, the famous "Lloyd's Policy", was adopted by the group in about 1780 (44, p. 4).

One of the earliest fire insurance companies to be organized in this country was formed in Philadelphia around 1750. Since that time, the insurance business in America has grown to enormous proportions (44, p. 7).
Protection of the community investment

In the business world, it is considered good management to protect the company against a financial loss due to a fire or any other type of misfortune. The same principle is valid for public property, particularly school structures on which the school program is heavily dependent. Even in a small community school, equipment of plants represents hundreds of thousands of dollars, and in case of a disaster, the education function could be materially interrupted or even temporarily halted (53, p. 349).

It is impossible for school officials, in spite of every precaution which may be taken, to forestall or predict disaster. Therefore, it is imperative to protect a community from such an unforeseeable loss by some form of insurance plan.

Method of Insuring

The three distinct methods of insuring school buildings are: (1) commercial insurance, (2) state insurance, and (3) self-insurance (53, p. 351). A majority of the school districts carry their insurance with commercial companies. The commercial carriers fall into two general classes, either stock or mutual.

A stock insurance company is a corporation owned and controlled by its stockholders. The interest of the stockholders in such a company is the making of a profit while providing sound insurance to its policyholders. When premiums collected are in excess of what is needed to pay losses and expenses and to hold as reserves, the excess is paid to the stockholders in dividends. The control of a stock insurance company is exercised through directors who are elected by the stockholders.
A mutual company is a legal corporation which, in theory, is owned and operated by the policyholders. The actual administration of the business is placed in the hands of a group of elected directors. Whenever a new policy is purchased, the owner becomes a member of the organization and shares both in its profits or losses.

When a mutual insurance company has collected more in premiums than it needs to pay losses and expenses and to hold as reserves and surpluses, it returns the excess to its policyholders pro-rata (44, p. 30). Under certain conditions a policyholder may be liable to assessments when the company's assets are not sufficient to meet its obligations. A policy which is subjected to a possible assessment will usually specify the extent of liability. Mutual companies are subject to specific state laws covering financial ability, minimum surpluses, reserves, etc., (44, p. 30).

State insurance

A few states have assumed the responsibility for performing the function of the insurance carrier. It would not appear to be inconsistent for the state to assume the risk for school property loss, since education is a state function. The main obstacle to state insurance is the opposition of the insurance companies, for school insurance is a very profitable business with a very low loss ratio (27, p. 550). There are at present four states which have state insurance programs. They are: (1) South Carolina, 1900; (2) Wisconsin, 1903; (3) North Dakota, 1919; and (4) North Carolina, 1949. All of these states have good records, and a very substantial savings in the cost of insurance has been realized by the local
administrative unit (53, p. 352). The data gathered from these states seem to indicate that more states might investigate and take under consideration a state plan of insurance.\(^1,2,3,4\)

**Self-insurance**

The purpose of self-insurance is to provide the needed protection at less cost than would be possible if purchased from a commercial carrier. However, self-insurance is feasible only in the very large school district. Johns (36, p. 525) stated that self-insurance of a school district is usually not as desirable as state insurance, because the risks are more widely spread under state insurance than are usually possible under self-insurance.

In an Iowa insurance study by Lura (45) completed in 1932, he stated that only one school district reported a true self-insurance plan, while 1.3 percent of the school districts reported no insurance program. Simpson's (62) study of 1960 found no public school district among those reporting that was self-insured.

Various reports of the Association of School Business Officials (ASBO) have indicated that some of the large school districts have adopted

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\(^3\) McEachern, F. E., Jr., Division of General Services, Columbia, South Carolina. Letter on state insurance. Private communication. June 1, 1965.

plans for self-insurance in an attempt to solve the problem of high insurance costs. The principle of self-insurance is based on the fact that some of the school districts are of sufficient size and have enough spread risk to warrant carrying their own insurance. Those who favor a self-insurance plan argue that they can save the usual 30-50 per cent administration and operating costs incurred by the carriers, and, in addition, get the benefit of a low loss ratio on school property coverage (42, p. 317).

The three types of self-insurance programs commonly recognized are: (1) insurance reserve plan, (2) partial insurance plan, and (3) no insurance plan. Under the first, a school district establishes a sinking fund by paying a portion of the regular premium, or by appropriating a certain amount to the sinking fund each year. A school district could adopt a plan of this type by continuing the major portion of a commercial program and then decreasing the amount carried each year with private companies as the reserve fund increases (42, p. 317).

The second method, the partial insurance plan, is used by some districts which insure only the most hazardous risks. School officials considering the second plan must be careful to keep on a sound insurance basis to avoid the adverse criticism which might arise in the event of a large fire loss (42, p. 317).

The last, or no insurance plan, is utilized by extremely large districts which carry no insurance, but set up reserves. This plan is safely adopted only where the expense of carrying adequate insurance in private companies would be considerably greater than probable losses. Large school districts which safely used this plan met the annual obligation by regular budget procedures or by special appropriations (42, p. 317).
State Regulations

The principle of state regulation of insurance is now well established; however, this was not always true. An early law case which questioned the authority of states to supervise was the case (Paul v. Virginia, 8 Wall. 169, 1864) in which Virginia attempted to require a New York insurance agent to procure a license in that state. The Court held that corporations were not citizens in the ordinary sense and that insurance is not interstate commerce. In 1944 another case (U.S. v. South-Eastern Underwriters Association, et al, 322 U.S. 533, 1944) held that insurance is commerce, and that when it crosses state lines it is interstate commerce (44, p. 101). Nine months after the Supreme Court's decision, the Twenty-ninth Congress passed Public Law 15 (The McCarrin Act, approved March 9, 1945) which declared that, "The continued regulation and taxation by the several States in the business of insurance is in the public interest and that silence on the part of Congress shall not be construed to impose any barrier to the regulation and taxation of such business by the several states" (44, p. 11).

It is now a well established fact by both law and court decision that insurance is interstate commerce and that it is subjected to Federal regulation. However, in actual practice, insurance is controlled by the states, and as long as this supervision is vigorous and adequate, no federal action will be necessary.

The authority for insurance legislation is within the police powers of the states. Under these powers, the state has the authority to legislate in the interest of the health, safety, and welfare of its citizens.
State legislatures have exercised extensive control over the insurance industry through state laws. Insurance rates are an important subject of regulation because of their direct effect on the welfare of individuals. State laws provide for the filing of rates with the insurance department in order to be sure that they are reasonable, adequate, and not unfairly discriminatory (44, p. 13). All companies must be registered to sell insurance and rates must be filed and approved.

States require that all persons acting as an agent, or who represent the insured as a broker, must be licensed.

Iowa requires the applicant for a license to pass an examination demonstrating his knowledge of the insurance field. This requirement is necessary to safeguard the public against an agent falsely representing a policy because of his own ignorance. Furthermore, most state laws provide that licenses may be refused or revoked by the insurance department for a specific reason such as fraud, misrepresentation, rebating, discrimination or embezzlement (44, p. 13).

States require that all insurance forms used by the carrier be filed with the commissioner. Iowa has certain standards which these forms must meet before they may be used. Along with the necessity of registering, the company must pay certain fees and taxes. Another form of control practiced is that of requiring certain standards of solvency or the maintenance of certain reserves and surpluses. This is necessary to assure

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1Smith, Arnold, Deputy Commissioner, Iowa Department of Insurance, Des Moines, Iowa. Interview on insurance regulations. Private communication. August, 1965.
the ability of paying claims to policyholders who have suffered losses. ¹

The history, the reasons one insures, the basic methods of insuring, state insurance, and self-insurance have all been discussed to provide background for the reader. Therefore, the next logical step would seem to be the various kinds of insurance contracts that are available.

Kinds of Contracts

Insurance forms can be classified in many ways. However, the three types which are common among school districts are: (1) specific, (2) specific schedule, and (3) blanket (53, p. 356).

Specific

A specific coverage form applies when an individual contract is written for each distinct plant. An example is a school plant which is located on a particular street at a specific street address. An individual policy is written with a specific amount of insurance applying on the building and/or its contents. If both are covered on one policy, the specific amounts of insurance carried on the building and on the contents are listed separately. This type of policy is considered adequate for a small administrative unit with only a few plants, but in a large district with many buildings, this practice would mean a multiplicity of policies.

Specific schedule coverage

This particular type of policy permits the grouping of buildings and

contents on a single form instead of written as separate entries on different policies. The specific schedule coverage lists for each building and contents the amount of insurance carried. The appropriate individual rate is applied on each building or contents and the total premium is determined by computing the various amounts.

The sum of the premiums is divided by the total amount of coverage. This will give the average rate for all buildings and their contents. All policies are written at this average rate. The board of education usually has this information computed on a form which is attached to the standard policy (53, p. 357). An insurance plan of this type is better than the specific form since the number of policies are reduced, thus facilitating better supervision of the insurance program.

Blanket policy

The blanket policy has become widely used by school districts because of its ease of supervision and better continuity. This plan permits the program to be considered as a whole, so that there will be neither gaps nor overlapping coverage. This kind of policy also eliminates numerous policies all expiring on different dates. It facilitates an annual review of the insurance program and makes unlikely a failure to renew an expiring policy. However, there are no automatic savings realized with this form: it merely provides for better accounting. Coinsurance, deductibles and term insurance, and other procedures which permit lower rates can be developed as part of this policy. One other advantage of this form is that it may cover property at different locations.

According to Rosenstengel (53, p. 357), there are several advantages
to the blanket policy:

1. The equipment moved from one building to another is always insured.
2. The district has an average rate to use throughout the city.
3. The policies are more easily checked since one rate prevails.
4. The insurance program is more easily supervised.
5. There is less danger of property not being insured as there may be in the specific policy.

Package plan

The present frontier in school insurance is the development of package policies under which a large number of liability and property risks are covered (41, p. 91). The new insurance program provides for both property and liability coverage in a single-package policy and has been developed primarily for schools, colleges, and charitable institutions. The new policy, considered a breakthrough, is now available in thirty states and is rapidly gaining popularity (48, p. 32). This form provides the convenience of having various coverages in a single-package policy and also permits a savings in premiums.

It is anticipated that the new multi-peril (package) policy will attract the interest of school boards as did the Public Institutional and Property (PIP) coverage of a few years ago (48, p. 32). The PIP policies represent a great improvement and permit substantial premium savings to the insured. Under the PIP policy, buyers in most areas, obtained reductions of up to 25 per cent in fire insurance rates and up to 40 per cent in extended coverage costs (48, p. 32).
Under the provisions of the new package form Special Multi-Peril Institutional Program (SMP), the policy buyer receives a 15 per cent discount on liability insurance and on many other optional coverages. This policy also provides essentially the same discount for fire and extended coverage as is available under the PIP form.

The SMP, like the PIP plan, requires the help of the insured in reducing hazards in the school or other institutions. The insured is required to check the premises for hazards every three months and complete an inspection blank supplied by the insurance company (48, p. 32). These examinations for hazardous conditions are of value since they serve the purpose of fire prevention and fire safety.

Some of the optional coverage items are: (1) medical payments coverage to defray costs of emergency treatment, (2) replacement cost coverage for both the building and its contents, and (3) other optional coverages at a 50 per cent discount including: vandalism and malicious mischief, sprinkler leakage, expenses required to continue normal operations after an emergency, glass breakage insurance, insurance on fine arts, insurance on cameras and other special equipment, insurance on boiler and machinery, and office burglary or theft insurance (48, p. 33). The new SMP policy is usually written for a three-year term and the property is inspected by an insurance company or rating organization at the end of each year.

It is estimated that package insurance will further reduce school insurance rates approximately 25 per cent; thus package insurance can save thousands of dollars in insurance premiums (58, p. 64). The new package of insurance combines almost all of the essential coverages with one premium and under one policy written by one agent and with one company.
It is possible for insurance companies to write package forms at lower premiums because the handling of all risks by one company means more business and makes the school district a larger and a more valuable client. Also, with only one policy to write and one agent's fee, the cost of paperwork is greatly reduced (58, p. 64).

Schaerer (58, p. 64) states that the multi-peril (package) insurance policy is more comprehensive, more efficient, less expensive for schools, and has the following advantages:

1. It costs less than a combination of separately named peril policies (premium cost is estimated to be 25% lower),
2. It closes, or tends to eliminate, gaps in coverage,
3. It permits school districts to deal with only one agent and only one policy,
4. It assures better service from the one agent and the one insurance company,
5. It allows the policy to be continuous,
6. It eliminates the loopholes regarding what part of the loss the insurance company is to pay,
7. It provides better coverage because it is written on a per occurrence rather than on a per accident basis and on a personal injury rather than a bodily injury basis,
8. It can be written with a single limit coverage rather than a per person or an accident limit coverage, and
9. It is flexible and can be tailored to fit individual school district needs.

An example of the savings which are possible is confirmed by a report made in the Iowa School Board Bulletin, by Leighton P. Smith, in September, 1964. Mr. Smith (63, p. 7) states, "We reduced our total premium from approximately $12,500 under separate policies to $7,629 under a package plan. A $1,000 deductible clause was included on the fire and extended
coverage thus saving $863 per year on premiums." Also of interest in the Ottumwa insurance package program, coverage was increased $1,000,000, and a stock company was the successful bidder over a mutual carrier.

The standard insurance policy form used in any given state is a starting point for any insurance contract written within that area. There are a number of various endorsements which may extend or restrict policy coverage, to increase or decrease the amount of insurance, or to effect any other changes which are mutually agreed upon (63, p. 27). An endorsement (or rider) is any amendment in writing which is added to or made a part of the insurance contract. Most insurance forms contain a clause as a condition of the policy which states that no provision of the contract shall be waived or altered except by written endorsement attached to the policy and signed by an officer of the company (44, p. 27).

In a legal sense the insurance policy is a contract between two parties, the insured and the insurer. The legal concepts or practices governing the relationship between the contracting parties of other forms of contracts are also true for insurance instruments. One of the common problems with insurance forms is that few people read the contract thoroughly and many that do, fail to understand them.

Fire Insurance

Fire insurance is an important part of the school insurance program; therefore, the many aspects of it are considered in this section. The important parts of a fire insurance program are: (1) appraisals, (2) coinsurance, (3) deductibles, (4) rates, (5) term insurance, (6) builders' risk, and (7) extended coverage.
The building replacement cost of each building is approximately three times the annual revenue required to operate that plant each year. Statistical data (10) from the Iowa Department of Public Instruction indicate that the average cost per student for the 1963-1964 school year was $442.32 while total construction cost for the same period was $1,392 per student per school plant.

The ordinary fire insurance policy insures only against direct damage caused by fire and lightning. The extended coverage endorsement expands the coverage to protect the property against many other perils.

**Appraisal of school property**

Boards of education utilize various methods for the appraisal of school property. They may employ a commercial appraisal firm, a local insurance agent, the Iowa Inspection Bureau, local school board members, school staff or others.

Johns and Morphet (36, p. 510) states that an accurate appraisal is essential for both the building and contents because:

1. The district must provide proof of loss;
2. If coinsurance is carried, insurance equal to or above a fixed per cent of insurable value must be carried to avoid a coinsurance penalty;
3. A board may over-insure or under-insure;
4. Building insurance rates are lower than the rates on contents, and considerable amounts can be saved by a proper classification of items that may be insured as part of the building.

It is also suggested as part of good accounting procedures that an accurate duplicate copy of the inventory be stored at the central office, a safety deposit box, or away from the building which is covered by the
inventory. An inventory of contents should be made annually, but the re- cord should be revised during the year if there are any substantial changes of the contents. The ideal method is to adopt some procedure of perpetual inventory control that does not require an excessive amount of clerical work.

Levensohn (41, p. 88) stated the first step in identifying property risk is determined precisely by property values. Exact up-to-date appraisals and inventories are required to know how much insurance to buy to prove dollar value in the event of a claim.

An interview with Clifford Allen, author of *School Insurance Administration*, by Levensohn (41, p. 88) brought out these factors. Insurance companies are interested in making sure that a school carries sufficient insurance, therefore, their appraisals might tend to be high. On the other hand, schoolmen should not tackle an appraisal themselves, because appraising is not a do-it-yourself type project. Therefore, Allen recommends that school districts use a professional appraisal firm whose valuations will be both expert and unbiased. The professional appraisal firm whose valuations will be both expert and unbiased. The school board knows the value of their property and can thus adopt a good insurance program, and the insurance company has a value available that they can accept without question in case of a loss.

Some of the well-known professional appraisal firms are: the American Appraisal Company, Kansas City; Marshall-Stevens, Minneapolis; Lloyd Thomas Company, Chicago; and Rau Appraisal Company, Chicago.¹ Appraisal

firms, after making the initial appraisal, will review the values and update them every year. Usually the annual cost is relatively inexpensive after the first survey. An interview with Leighton Smith\(^1\) would tend to verify the above statement. Mr. Smith reported the initial appraisal by Marshall-Stevens cost Ottumwa almost $4,000; however, maintenance of this would cost only $350 per year. Although the first cost might appear to be high, one must remember that Ottumwa is a large district and that with a "package plan", good insurance specifications, and competitive bids Ottumwa was able to save in excess of $3,000 annually in insurance premiums while increasing their coverage $1,000,000.

Necessary to the understanding of appraisals is some familiarity with how certain values are obtained. An excerpt from a letter\(^2\) directed to Leighton Smith from the Marshall-Stevens Company helps to explain values:

1. Reproduction cost new which is the reproduction cost new of structure involved.

2. Reproduction Insurable Value which is the reproduction cost of the building less the reproduction cost of the uninsurable portion or exclusions.

3. Sound Value which is the reproduction cost less depreciation.

4. Sound Insurable Value which is the sound value or depreciated value less the depreciated value of the exclusions or uninsurable portions of the building.

Regarding equipment, there are two values given:

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\(^1\) Smith, Leighton P., School Board Secretary, Ottumwa, Iowa. Interview on the Ottumwa insurance program. Private communication. February 16, 1965.

1. Reproduction cost of the item.

2. Sound Value or Insurable Value of the item which is the reproduction cost less depreciation.

Linn and Joyner (43, p. 78) states that an accurate appraisal of reproduction cost of an existing building is difficult to ascertain and requires considerable technical knowledge of the principles of evaluation, depreciation and construction. One large appraisal firm has stated that the average wear, tear, and obsolescence may lead to an annual depreciation for school buildings which may vary from 1 to 3%. Perhaps the best method which can be utilized to determine appraisals is an evaluation by a professional appraisal corporation, one which has considerable knowledge and background in determining value of structures.

The quantitative survey of a school plant, when completed by a well-qualified appraiser, is probably the most reliable and accurate reproduction cost that is possible to ascertain (43, p. 84). The procedure that an appraisal will utilize is similar to the method that may be used by a contractor in preparing a bid. It involves a detailed, quantity analysis of the various elements of the building. The unit prices of each of the various components are taken into account including the present costs of materials, labor, equipment, freight, installation and any other pertinent factors which exist under current conditions. The reliability and provability of such an appraisal are obvious and the advantages to the district are many.

The fallacies of not having an accurate appraisal can readily be seen by the following example. Smith (63, p. 7) reported that appraisals previously had been made by the insurance company writing the insurance,
but when a private professional company placed the valuation, it was over $1,000,000 higher than those previously on record. It is obvious that Ottumwa would have suffered a coinsurance penalty had a fire occurred before the revamping of the program.

The Florida Association of Insurance Agents (21, p. 18) in their Guide of 1956 pointed out the necessity of accurate values by stating that it is necessary that proper appraisals be established and that they should be rechecked periodically because of rapidly changing values. Fire insurance adjusters say that the greatest trouble they have in adjusting school losses is inaccurate property values and the lack of good current inventories of school contents.

Allen (2, p. 6) says that values of property and coverage forms available are constantly changing, and it is imperative that the administrator establishes the procedure which fits best his particular district with regard to keeping the insurance program up-to-date. Only through constant evaluation of procedure and annual reappraisals of property values will the district be able to secure and maintain the maximum coverage with the minimum expenditure of premium dollars.

The Appraisal Service Company (5, p. 14) of Minneapolis says that today's cash value of real property is seldom the same as the original cost of the investment. Neither is it the same as today's cost of reproduction minus depreciation. Only an appraisal kept current will show the actual cash value which is the basis for adjusting fire losses. The replacement cost insurance which many of the Iowa schools carry extends coverage beyond the original cash value to include replacement cost of similar property with like kind of material that existed before the loss.
The related studies reported in the following paragraphs would seem to indicate that many districts still depend on insurance companies for appraisal services. Arney (7, p. 130) states that the insurance company will provide appraisal services without charge; however, these appraisals are not guaranteed by insurance companies involved.

Mills (46) stated in his study that an obvious weakness in the Arkansas public school property insurance program is the failure of most local school districts to make proper use of appraisals and inventories to establish insurable values. However, in his recommendations, he did not suggest how proper appraisals could be obtained or how they should be used.

A five-year study of school property insurance in Iowa (1926-1930) was made by Lura (45, p. 237) in 1931. His study covered many phases of the school insurance program, including appraisal. The findings of the study were based on 815 questionnaires representing 41.7 per cent of the school districts in Iowa. He found that 58 per cent of the school boards determined the values of the buildings and that in 19.5 per cent, the board and the local agent acted cooperatively in setting plant values.

In 1960, Simpson (62, p. 60) studied insurance practices in Iowa public school districts for a five-year period (1953-1958). His study involved many administrative phases of the school insurance program, including appraisal practices. The findings of the study were based on 560 questionnaire replies representing 86.4 per cent of the public high school districts. He found that school personnel made 11.9 percent of the appraisals, while professional appraisers complete 9.9 per cent of the evaluations. Insurance engineers accounted for 43.2 per cent of the appraisals, local architects or contractors made 7.5 percent of the
evaluations, and school personnel and insurance officials jointly set the values on 8.4 per cent of the structures. It is interesting to note that in 1932 Lura reported that school directors completed over one-half of the valuation surveys, while in 1960, Simpson's findings indicate that insurance engineers set the values for 43 per cent of the districts.

Haldin (30, p. 38) in a study completed in 1964 of seven school districts in the Ringgold and Decatur Counties of Iowa, found that the most common method used to ascertain the appraisal value of school properties was an appraisal by an insurance company engineer. Of the seven districts involved in this study, only one reported the use of a professional appraisal in determining the insurable value of property. Three of the districts reported coverage on an actual cash basis and four reported coverage at replacement value.

Ferris (17, p. 81), in a study of 52 selected small Iowa high schools, found that sixteen or 33.8 per cent were appraised by the insurance company representative. It is the opinion of this writer that the above data would not be valid for a statistical sample of all Iowa high schools, and that if a cross-section of all schools had been sampled, a higher per cent would have been found to utilize the services of insurance appraisers.

In a 1958 study by Paul B. Salmon (54, p. 19), completed for the Association of School Business Officials, of 336 schools reporting, one hundred, or 30 per cent, reported commercial firms were used to establish insurable values; while one hundred thirty-six, or 40 per cent, said that insurance company engineers were utilized for this purpose; and twenty-nine, or 9 per cent, reported values were determined by district employees.
Flat rate insurance and coinsurance

Policies written at a flat insurance rate carry no provision for a penalty for failure to insure property equal to or above a given per cent of its real value. The school district could carry any amount of coverage desired on the school plant. The school property could be insured at a low per cent or a relatively high per cent of the insurable value, but the insured could not collect more than the insurable value nor more than the amount of the coverage, whichever is less. This was the type of insurance commonly carried by most school districts two or three decades ago, however, most schools now take advantage of the better rates possible with a coinsurance policy.

Coinsurance is an arrangement under which the insured shares in losses in the proportion that his insurance is less than a specified percentage of the value of the property insured (32, p. 5). The coinsurance contract provides rates in proportion to the percentage of coverage. The insurance company agrees to lower the rates per unit of insured value if the insured agrees to carry an amount of insurance stated as a certain percentage of the full insurable value of the risk (40, p. 460). Most insurance authorities recommend that districts take advantage of 80 to 90 per cent coinsurance because of the greater coverage for the proportionately smaller premium.

Coinsurance contracts provide rates in proportion to the percentage of coverage. The higher the per cent of coverage of insurable value, the lower the rates per unit that are charged. However, if a district carries coinsurance, it must agree to insure its property at a certain per cent, or a coinsurance penalty will be assessed in the event a loss occurs. As
long as the district carries insurance in that amount as stated in the contract, the carrier will pay 100 per cent of any loss up to the face value of the policy. As the coinsurance percentage of self coverage for fire insurance is increased, the premium will be reduced; however, the district's risks are greater. If the district carries too large a percentage of self insurance, a serious financial problem could result in the event of a total loss (41, p. 92). The greater the percentage of coinsurance carried, the greater the responsibility of the district to carry adequate insurance. There are instances in which the insured may collect the full amount of his policy even though he is not carrying the proper amount of insurance. These are: (1) whenever the property is a total loss, or (2) when it is destroyed to the same or a greater percentage, as the per cent of the coinsurance clause.

Salmon's (54, p. 23) study showed that of the responding districts 200, or 60 per cent reported a 90 per cent coinsurance agreement, while 124, or 37 per cent, of the districts reported an 80 per cent coinsurance agreement, and three reported a 70 per cent clause. The above paper was completed for ASBO in 1958. It is interesting to note that a study by Schnider (60) in New Jersey in the same year indicated that 80 per cent was the most common coinsurance rate. His report showed that of the reporting districts, 80 per cent reported that they carried coinsurance contracts.

The terms contribution rate and reduced rate agreement are often used by insurance companies in lieu of the title coinsurance clause. The principle of coinsurance is fairly simple for it merely proposes that the larger the amount of insurance carried on a risk related to its full value,
the lower the rate per unit of insurance. Coinsurance means that in the event of a fire loss, the carrier would pay a determined percentage of the established value of the building (unless there is a coinsurance penalty) at the time of the loss (43, p. 89).

Under coinsurance contracts, the school is responsible for determining the insurable value of the property and for buying the proper amount of insurance in accordance with the required per cent of coverage. In the event of a loss, should the insured fail to have an adequate amount of insurance coverage as per the form agreement, the school district would suffer a penalty. This is also true in case of a partial loss since the insured suffers a pro-rata penalty in the amount of the insurance recoverable (43, p. 89).

The following formula (43, p. 90) indicates the operation of the coinsurance clause in case of a loss:

\[
\frac{\text{Amount of Insurance Carried}}{\text{Amount required by the Contract}} \times \text{Loss} = \text{Recovery up to face of policy}
\]

An example of a pro-rata penalty can best be explained by placing values in the formula and computing the answer. A district has buildings totalling $1,000,000 in insurable value and that district has an 80% coinsurance clause in its policies, however, the district purchased insurance for only $600,000. If a loss of $50,000 occurs, the formula is applied as follows:

\[
\frac{600,000}{1,000,000} \times 50,000 = \$37,500
\]

In simple terms, in event the insured does not carry the required amount of insurance as per the contract at the time of the loss, the owner of the property becomes a co-insurer with the insurance company.
Coinsurance is not a new idea. Lura (45, p. 265) in his study in 1932 found that 47 per cent of the schools carried this type policy. Also he found the 80 per cent coinsurance clause to be the most popular. Simpson's (62, p. 83) study of 1960 indicated that 91.8 per cent of the reporting schools said they were presently using coinsurance policies. It is interesting to note that all of the larger school districts utilized this type policy. The 90 per cent coinsurance form was common to 22.3 per cent of the districts.

The actual coinsurance credits for a specific building are dependent upon the type of construction of that building and the class of protection which is available to it. There is a great difference between the extremes of possible coinsurance credit that may apply to various structures. For example, these credits might range from 0 per cent for the 90 per cent coinsurance clause on certain classes of buildings in an unprotected area to 73 per cent for the 90 per cent coinsurance clause on a fire resistive school building in a protected location.

Gardner (24, p. 13) included the following example in a school insurance guide prepared in 1957 for Nebraska schools. Assuming that the basic premium rate per $100 of insurance is one per cent of the value of the insured property on $100,000, the coinsurance credit for a building of fireproof construction might be illustrated as follows:

<table>
<thead>
<tr>
<th>Coinsurance Percentage</th>
<th>Amount of Insurance</th>
<th>Net Rate</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>90%</td>
<td>90,000</td>
<td>.27</td>
<td>$243.00</td>
</tr>
<tr>
<td>80%</td>
<td>80,000</td>
<td>.30</td>
<td>240.00</td>
</tr>
<tr>
<td>70%</td>
<td>70,000</td>
<td>.335</td>
<td>234.50</td>
</tr>
<tr>
<td>None</td>
<td>60,000</td>
<td>1.0</td>
<td>600.00</td>
</tr>
</tbody>
</table>
From this table, it is evident that if the insured carries $60,000 without coinsurance on his property, the value of which is $100,000, by the introduction of a 90 per cent clause, the amount of the coverage may be increased 50 per cent to $90,000 and at the same time save $357 a year, since the premium would be $243 rather than $600.

From the above information, it can readily be seen that coinsurance, when properly administered, can provide for a large saving on the total fire insurance premium. However, care must be taken in establishing plant values or, in the event of a loss, the coinsurance penalty might more than offset all of the premium dollars saved.

**Deductible clauses**

School districts can realize considerable savings in the cost of fire insurance through the use of deductible clauses. These endorsements provide that an amount agreed upon will be covered by the insured and the carrier does not participate in the loss unless it is greater than this amount. The deductible may vary from as little as $100 to several thousand dollars, depending on the amount the district feels that it can safely cover.

According to Katzenmeyer (38, p. 115) in reporting a new insurance program for Kent, Ohio, a $1,000 provision was the feature which enabled the district to acquire additional coverage and still realize a large reduction in premium. The terms of the policy stated that the school district would assume all damages up to $1,000 on each occurrence and the carrier would pay all damages above that amount. The district had previously carried a policy with an annual payment of $5,000. When the
district purchased an institutional property insurance contract with a $1,000 deductible clause the annual premium was $3,600, a saving of $2,400 or 40 per cent.

Ottumwa included deductible clauses in their insurance specifications when they revamped the insurance program and took competitive bids. Smith (63, p. 7) stated that alternate bids including $500, $1,000 and $3,000 deductibles on fire and extended coverage were requested. A $50 deductible was considered on damage to musical instruments but eventually a $25 deductible endorsement was selected. The Ottumwa Board chose the $1,000 deductible on fire and extended coverage, thus saving $863 per year in premium. A survey indicated that losses had averaged considerably less than $863.

One district which has taken advantage of a new institutional type policy is Hartford County, Maryland, located near Baltimore, which claims a savings of nearly $8,000 annually (31, p. 41). It is interesting to note that the Hartford Board, in developing insurance specifications, determined to include a $1,000 deductible clause. Montgomery County in Maryland is developing a self insurance program by use of a deductible clause (31, p. 41). This county began building a $500,000 insurance trust fund in 1954 and bought standard fire insurance with a $100,000 deductible clause. Fire losses amounting to $100,000 or less are reimbursed by the fund with the insurance carrier covering everything over that amount. The placing of such a large deductible clause in its policy is presently saving the county about $46,000 a year in premium charges. At the present time, the accumulation of this fund has amounted to almost $500,000. The money is invested in securities at 3 per cent annual interest and the dividends
provide a substantial percentage of the annual insurance premium.

There are several ways that insurance premiums can be reduced, and a deductible clause is one such method. Few school fires result in a total loss; in fact, the majority of claims are for small amounts. Because of the overhead involved in processing a claim (the paper work on a small one is usually as great as on a large loss), the insurance carrier is glad to provide a substantial annual premium reduction for the inclusion of a deductible clause in a fire and extended coverage policy. Both the new institutional and the multi-peril policy forms have provisions for deductible clauses, at the option of the school board.

Therefore, the deductible should be considered by local school boards, when they review their insurance programs, as a possible method of reducing annual premiums.

Fire insurance rates

The problem of rating various risks is one of the most complicated and difficult tasks confronting the insurance industry. The definition of rate making, simply stated, might be: "establishing the price for the insurance". A rate is the charge per unit of insurance.

Insurance rates are determined for certain classes of risks as a group. Lucas (44, p. 44) states that the determination of the proper level of insurance rates as a whole is a simple matter when compared to the more complex problem of adjusting the rate to the individual hazard. In the modern theory and practice of fire insurance rate making, at least four important factors must be taken into consideration. These are: (1) construction; (2) occupancy; (3) exposure; and (4) protection (44, p. 45).
In the insurance industry, a specific rate refers to one which has been assigned to a particular structure at a designated location. Such rates are developed after inspections and surveys are made of individual risks. Usually fire insurance rate making is delegated to an office or bureau established for that purpose in various regions of the country.

Rates are important to a carrier particularly when bidding, since they must be low enough to meet competition and yet be high enough to permit the company to operate on a sound business basis. The rate making part of the insurance business is very technical since charges must be reasonable in order for the company to be solvent. An insurer must collect a premium which is not only large enough to meet routine operating expenses, but is sufficient to cover losses on a long-range average basis (42, p. 314).

The law of averages is an important aspect of the insurance field, that is, large numbers are the basis for the operation of insurance. The larger the number, the more predictable the loss for the entire group (43, p. 13). Ackerman (1, p. 5) states that in order that the rates charged the insured are not based upon supposition, the insurance company must have a sufficient number of risks to enable it to measure mathematically the chances of loss. The carrier depends on its history and knowledge of past losses for a given period of time to provide for an adequate reserve, to determine the amount of money required to meet current operating costs, to pay claims, and to provide a reasonable profit.

Fire prevention is also an important part of rate making. If the carrier can interest the insured in the prevention of losses, claims are lower and rates may be modified for the individual risk. An example might
be a school district that is charged an increased rate because the buildings are untidy. On the other hand, a district which introduces methods to prevent fires, or the spread of fires, will receive a reduction in rates. When a building is inspected, a rate make-up sheet is completed which shows the charges and credits. The rating organization's engineer will make recommendations for changing or eliminating certain conditions which result in extra charges (36, p. 512). The school board should consider the modification of all conditions which over a period of years would result in a savings. In some cases, the reduced rate will be sufficient to pay for the cost of the improvement in a few years. The decision of whether to pay the rate penalty or to alter the condition which is responsible for the added charge is primarily one of economics. However, all conditions which constitute a hazard to pupils should be corrected regardless of additional expense (36, p. 512).

Every school board and architect should present all plans and specifications for new buildings to the Inspection Bureau for examination and recommendations. The easiest and least costly way to earn credits is to include credit features in the design of the structure. It is easier and less costly to change a plan than it is to change a completed plant (36, p. 512).

All rates and charges are quoted in terms of so many cents of premium per $100 of insurance protection for a period of one year. The basic term for a fire insurance policy is one year (54, p. 23).

According to Schaerer (55, p. 215), insurance is a commodity and consideration should be given to competitive bidding. Some school officials have been hesitant to bid insurance because they believe that all rates
are similar, and local agents have encouraged this premise. This concept is incorrect since there is not a standard rate filed with the bureau for a specific area of risk. In fact, all companies will deviate from five to forty per cent below the average rate (55, p. 215).

Insurance rates are an important part of state insurance regulatory agency's responsibilities. In all states, there are laws for governing the filing of rates with the insurance department in order to be sure that they are reasonable, adequate, and not unfairly discriminatory. The insurance commissioner is charged with the responsibility of supervising rate making organizations. Many companies set aside their obligations to make filings by becoming a member of, or subscriber to, a licensed rating organization which makes such filings (44, p. 13).

In spite of state supervision of insurance rates for schools, which are classed with other public and institutional structures, the loss ratio reported by education officials have been consistently low. Loss ratio reflects the amount collected by the insured in relation to premiums paid. Simpson (62) in his 1960 Iowa school insurance study reported an extremely low return in relation to premiums paid. Lura's (45) investigation of loss ratio in Iowa in 1932 showed claims to be 18 per cent of the premiums paid. Mills (46) in his 1948 insurance study of Arkansas schools reported premium rates are excessive. Also, the loss ratio for public school buildings is much lower than for other types of construction in its class. Schnider (60), in a New Jersey school property insurance paper completed in 1948, found that losses were 28 per cent of the premiums paid.

In summary, one might assume that better rates could be received by local districts if: (1) insurance is bid; (2) certain materials and design
are employed in the construction of new buildings; (3) conditions for which an additional charge is made are improved; and (4) good housekeeping procedures are adopted.

**Term insurance**

There are many legitimate ways by which the cost of property insurance can be reduced, and one of these is term insurance. What is term insurance? Insurance carriers will usually charge a lower rate if insurance is purchased for a period of three or five years. The usual reduction for three-year term insurance is an amount equal to two and a half times the annual premium. Thus, there is a saving of one-sixth to the district. If a district writes its insurance on a five-year term basis, it can secure five years of coverage for a cost equal to four year's annual premium. This results in a savings of twenty per cent over the one-year rate (54, p. 23).

A term policy may be written with annual premiums in equal installments for a small additional charge or fee. Another method is to divide the coverage into three or five separate policies, with one due for renewal each year (41, p. 92).

In addition to the budget method previously mentioned, term policies may be prepaid for the full five years in advance and by so doing, the district assures itself of the same insurance rate for the next five years. Also, during this time, there will be no insurance premiums coming due unless new buildings or new values are established. However, the one serious disadvantage is that this method requires one large payment. Salmon's (54, p. 27) 1958 study made for the School Business Officials,
indicated that only 19 of 371 reporting districts purchased insurance on a prepaid basis.

Some other advantages of term coverage are: (1) a savings in clerical time; (2) less likelihood of an oversight regarding renewal; and (3) a systematic annual due date. In Salmon's (54, p. 24) report, the most common type of term policy was the five-year budget plan. Of 371 reporting districts, 261 indicated the use of the plan, while 70 districts reported the use of a three-year budget method.

**Builders' risk insurance**

Builders' risk insurance is a type of coverage which protects the school district's interest in the building during the course of construction. Payments are made to the contractors upon the approval of the architect based on the percentage of completion of the building. Thus as the plant takes form, the school board acquires an ever increasing interest in the building. There are three types (36, p. 513) of builders' risk insurance: (1) building-in-process, (2) automatic coverage, and (3) completed value.

The building-in-process type of contract specifies certain stages in the construction when the amount of coverage increases. At all times, the coverage must be 80 per cent of the value of the completed part of the plant. Under this plan, a coinsurance penalty is charged the owner much the same as any other type coinsurance if the coverage falls below 80 per cent. A poor feature of this plan is that the school board is usually either underinsured or overinsured.

The automatic coverage plan is graduated to increase as the
construction progresses. Monthly reports of the progress of construction are made on a specific date each month, and premiums are based on the completed value of the building. One hundred per cent coinsurance is required, and the recovery is limited to estimated completed value of the building (36, p. 514).

The completed value type of coverage is probably the best type of insurance to secure during the construction program. No periodic reports are required, and as long as accurate estimates are computed on the finished cost of the project, adequate coverage is provided. One hundred per cent coinsurance is required when one carries completed value insurance, and coverage increases as construction progresses. If a loss occurs, it is paid in full provided the proper amount of coinsurance is carried.

**Extended coverage**

Extended coverage is usually included in one coverage by adding an endorsement to the fire insurance contract, and it pertains to losses sustained by causes other than fire. This extends the insurance to cover loss caused by windstorm, hail, explosion, riot attending a strike, civil commotion, aircraft, vehicles, and smoke (32, p. 8). The extended coverage can be added by paying an additional premium. This plan of protection is relatively new and is planned to provide more nearly complete protection from all risks. It is generally considered that extended coverage is well worth the cost, but the board should study very carefully the extended coverage endorsement to determine if the district is receiving the desired protection (53, p. 356).
Administration of the Insurance Program

The administration of an insurance program for a school district requires several steps to insure adequate coverage at the least possible cost. Linn and Joyner (43, p. 76) have set up the following recognized procedure for officials to follow in managing a school fire insurance program. They are: (1) place responsibility for handling the school district's insurance program; (2) secure a reliable appraisal of property to determine insurable values; (3) determine the method to be used in insuring the building and contents; (4) develop a school form; (5) obtain all possible rate deductions; (6) maintain adequate records; (7) establish a plan for distributing insurance; and (8) obtain maximum adjustment on losses.

Responsibility for handling the program

Practices for placing the responsibility of handling the insurance program varies widely among school districts. According to Linn and Joyner (43, p. 320), there are four common methods of assigning the responsibility of the insurance affairs: (1) a district school officer (superintendent, business manager or board secretary); (2) the board of education or a committee from this body; (3) an insurance advisor, usually a local insurance agent or broker; or (4) a local agents' association.

Perhaps all of the above plans can produce acceptable results; however, the first method is generally considered best. A single competent school official can develop a long-range program offering adequate protection without leaving holes or duplicating coverages. This facilitates the school insurance affairs for the insurance representatives since one person
can be contacted to gather information regarding coverages and policies. Likewise, the school official can be free to work with various insurance agents and brokers to develop the best program possible. Most school officials will find it necessary to request pertinent data from many well-informed insurance sources.

**School plant appraisals**

It is necessary to purchase insurance based upon an accurate property value in order to have a satisfactory proof-of-loss. Proof of sufficient coverage is particularly important if a coinsurance clause is included as an endorsement to the fire insurance form.

Appraisals can best be done by professional appraisal firms who have trained consultants capable of completing detailed quantity analysis of the various elements of the structure. Unit prices for each of the items in the quantity survey are then developed, taking into account the present cost of labor, materials, equipment, freight and cartage, installation, and overhead costs in reconstructing the property as it exists (43, p. 321). Up until recently, very few schools purchase this expert appraisal service because of the expense; however, it is thought that many schools are now utilizing this type of service. This investigation should identify the trend to professional appraisals or if a shift to this service is actually taking place.

**Insurance form**

Most states have a standard fire insurance contract which serves as the basic policy form. The school official, in developing an insurance form for an individual school district, may wish to confer with insurance
agents regarding the endorsements, waivers, and permits to the standard form. The standard policy with the various endorsements and waivers composes the insurance form tailored to meet the particular needs of the district. Some states have special forms for the insuring of school property. The PIP (Public Institutional Policy) and the SMP (Special Multi-peril) forms are examples of two special contracts which are widely used by school districts and can be modified in details to fit the local situation.

**Placement plan for insurance**

Every school district should have a definite plan for allocating the insurance business. Since the insurance affairs of a district can amount to a rather large sum, patronage might be charged unless insurance is placed under a set policy. Frequently the amount of school insurance is distributed in the proportion that the annual volume of insurance written by each agent bears to the total amount written by all agents in the district (43, p. 329). If the district utilizes the services of a local agent as an insurance adviser, than a larger share of business is given to this agent.

Another method commonly employed is to place the insurance with a designated agent in a local association of insurance agents and then permit the association to decide how the commission will be divided. This method is often called the Local Board Placement Plan. This plan will limit the number of policies, reduce the pressure upon the board members, and help develop a coordinated insurance program (53, p. 364).

The most recent trend, in the placement of fire insurance and extended coverage, is competitive bidding. Legal authorities in most states agree
that insurance is not a commodity to be purchased in the same manner as school supplies and equipment. Bids, therefore, need not be taken and purchases can be made on a negotiation basis (43, p. 327).

Insurance records

Good business procedures require the keeping of adequate records for the school insurance program. The accounting system should be simple, easily maintained, and provide the essential information when needed. An insurance register should contain the following data: (1) date of issue; (2) name and address of company; (3) name and address of local agent; (4) policy number; (5) property insured; (6) amount of coverage; (7) premium; (8) term of policy; (9) rate; and (10) expiration date (53, p. 365).

Adjustment of fire losses

A school district carries insurance to protect their funds from a financial loss in case of fire or other hazards. There are certain procedures that should be followed in case a loss occurs. Among these duties (53, p. 364) are:

1. Report the loss to the insurance company by written notice.
2. Take reasonable precaution to assure that no further damage occurs.
3. Salvage all undamaged property and make an inventory of same.
4. Prepare an inventory of all property destroyed.
5. Furnish, when available and when requested by the company, plans and specifications of building and all equipment which were destroyed.
6. Produce for the company all books of accounts pertaining to the loss.

Accurate records are very important since the district may be called
upon by the company to furnish a "proof-of-loss" statement including a complete inventory, age, and original cost of all equipment. The value of the loss on buildings is less difficult to obtain particularly if a professional, current appraisal is available. Most insurance carriers prefer a quick, satisfactory settlement as a form of good public relations for the company. However, insurance companies employ or use the services of a professional adjuster who will make an evaluation and is usually willing to compromise on minor differences but will protest vigorously and even refuse to settle if he believes the district is asking a greater amount of money than is due.

Bidding Insurance

There appears to be a growing trend toward competitive bids (55) on insurance business. In spite of what some insurance agents tell local school boards, all insurance carriers do not charge the same rates for the same protection. A number of companies, both stock and mutual have on file with the State Insurance Department what is known as deviation agreements. These agreements authorize the companies having such agreements on file to discount manual rates by a percentage approved by the department (36, p. 526).

This method gives all agents in the district a chance to compete for the business of the district, and the awarding of the contract is open to public scrutiny in that the low bidder meeting specifications is granted the insurance for a period of time. The district specifies certain items of service and may further specify certain company criteria such as the general rating of the management of the company and the soundness of the
company. Competitive bidding, if properly structured, may bring about a great deal of competition and may provide a sizeable savings to the district. A board of education has the responsibility to all citizens to use school funds prudently and to purchase the best insurance coverage at the least cost to the taxpayer.

Simpson's study (62, p. 71) of insurance practices in Iowa, completed in 1958, indicated that 34.2 per cent of the responding districts utilized some form of competitive bidding. It is believed that many of the reporting districts requested several quotations rather than actually securing competitive bids. This premise is supported by the 1958 nation-wide study by Salmon (54, p. 27) which shows that only 10.5 per cent of the districts were utilizing true competitive bidding methods. Allen (2, p. 100) states that, technically, negotiation is a form of bidding and that a great many districts use some form of negotiation. This may account for the wide spread in the data reported by Simpson and Salmon.

Schaerer (55, p. 221) states that, at the present time, approximately 25 per cent of school districts bid one or more forms of their school insurance, while ten years ago only ten per cent of the districts were using this method to procure insurance coverage. He predicts that by 1970, 50 per cent of all school districts will bid one or more forms of their school insurance.

A recent interview with an insurance official indicated that companies in Iowa are deviating as much as 40 per cent below manual rates. Therefore, all school boards (even those in small districts) should face up to their responsibility and consider competitive bids for their insurance programs.
Insurance specifications

When a school district makes a determination to consider bids, care must be taken in preparing the specifications. In the proposal to prospective bidders, the minimum requirements for the carrier must be clear as well as the detailed specifications, so that everyone is bidding on exactly the same thing.

Leighton Smith (63, p. 7) gives the following account of how he developed specifications for the Ottumwa School District. Smith says that the first step after the appraisal is to write a satisfactory set of specifications so all insurance companies are bidding on the same coverage. The first source used by Smith was the Association of School Business Officials, an organization which has developed much information in this field. Next, he visited the home office of a large insurance company (not identified in this article) for further assistance and guidance in putting together a set of "specs".

At this point, Mr. Smith reviewed the progress of his study with the school board and was instructed to draw up a rough draft of the proposed insurance specifications. Upon completion, the work copy was submitted to the local insurance men for suggestions and refinement, and then re-examined by the school directors.

Smith emphasizes that, in writing specifications, one must endeavor to give all possible information to the companies. The more information one includes, the more satisfactory the specifications will be to the companies and the more satisfactory the bidding will be to the district. A set of the Ottumwa specifications, including notice to companies, is included as an appendix to this study.
Surety Bonds

The principal types of surety bonds in which boards of education are interested are: (1) fidelity bonds to insure against the dishonesty of an individual, (2) public official bonds to insure against malperformance or nonperformance of duties by public officials, and (3) contract bonds to insure against nonperformance of contract.

A fidelity bond is one which indemnifies employers from losses resulting from dishonest acts of bonded employees.

A public official's bond guarantees the faithful performance of the principal's duties and includes honesty protection. Either of these bonds protects a school district from any loss caused by the official or employee covered by the bond.

A surety bond of not less than $500 is required of each the secretary and the treasurer of a school corporation for the faithful performance of his official duty (35, Chap. 291.2).

Fidelity bonds

The types of fidelity bond coverage are:

1. Individual bond is one written on individuals;

2. Name Schedule bond is one written on two or more individuals listed on the same schedule;

3. Position Schedule Bond is one written to cover individuals who occupy certain positions;

4. Commercial Blanket Bond is one covering all employees (excluding the treasurer and secretary) with any loss covered up to the bond penalty regardless of the number of employees involved.

5. Blanket Position Bond is one covering all employees (excluding the treasurer and secretary) with the bond amount applicable to each person involved in any loss.
Contract bonds

There are several types of contract bonds; however, the one most familiar to school administrators is probably the bid bond. The bid bond guarantees that the low bidder, if awarded the contract, will enter into the contract and file the bonds required for the performance of the contract and payment of labor and material bills. This tends to eliminate the irresponsible bidder, as no surety company will knowingly issue a bidder's bond where there is any likelihood that the bidder cannot meet the terms of bid and contract (43, p. 337).

Fire Prevention

A successful fire insurance program is more than just protection; it will help to reduce school fire hazards. A good prevention and inspection schedule not only protects the insurance company but also benefits the district.

Fire prevention aids the school

Fire prevention is important to a school district since a fire not only destroys materials when a loss occurs but the educational program is likely to be disrupted. The students may have to be housed in temporary facilities while a building is being constructed. A major fire can mean that children will be assigned to substandard classrooms for a year or more. Children who attend school under makeshift conditions for one or two years lose something that cannot be measured in terms of money. Therefore, it behooves school officials to provide a good fire prevention program and take every precaution to hold fires to a minimum.
Self-inspections

A school district can assist the insurance carrier in implementing an effective fire prevention program by the use of self-inspections. The National Board of Fire Underwriters has a prepared Self-inspection Form which may be utilized by a school district. Also, recent institutional type policies have required periodic self-examination as a requirement of the contract. Therefore, many of the insurance companies can provide self-inspection blanks to those districts which would consider conducting such a study.

The great value obtained from a fire examination report is twofold: (1) to make persons who inhabit a building conscious of the many hazards which may be eliminated, and (2) to lead to actual elimination of such hazards which in turn will reduce the premium for the district. If a custodian is used on the self-inspection team, this can help to bring his attention to the need of good housekeeping.

Good housekeeping aids fire prevention

It has often been stated that the best means of preventing fires is through good housekeeping. Closets which have not been cleaned for a long period of time, rubbish stored in attics, basements, or on stages are still common practices in too many schools. Oil saturated cleaning rags are sometimes allowed to accumulate in unventilated places and may start a fire by spontaneous combustion. These are but a few of the poor practices for which a school district might be penalized in rate. The administration is directly responsible for the custodial staff and usually for the insurance program. Therefore, a serious attempt should be made to eliminate
all poor housekeeping practices and thereby improve the premium rate for
the school plant.

Economies in School Insurance

There are several methods that can be utilized to reduce the cost of
insurance. Some (27, p. 554) of these are:

(1) Use of fire-resistive construction and location of schools
in areas with adequate fire protection;

(2) Systematic survey of existing buildings and grounds to
eliminate fire hazards;

(3) Professional appraisals of building and contents to avoid
overinsuring and insure everything under "building" that
can be included there to benefit from the lower rate;

(4) Term policies to take advantage of the lower premium; and

(5) A reduction of the number of policies and the use of co-
insurance.

The above list is but a few of the many economies that any school dis-
trict could utilize to reduce insurance costs.

Criteria for an Insurance Program

There are numerous check lists in the literature that a school admin-
istrator could use to evaluate the district insurance program. A few are
listed here but many others could be suggested by a knowledgeable insur-
ance agent or an insurance counselor.

Some (27, p. 555) of the essential points are:

(1) An accurate determination of the insurable value of property
has been made;

(2) A systematic program has been developed to eliminate hazards
in existing structures and avoid fire hazards in new construc-
tion;

(3) Adequate coverage to take care of any losses;
(4) A minimum number of policies, use of long-term contracts, and a written board policy on placement; and

(5) Adequate records are kept.

The above discussion is not an exhaustive list of possible criteria that could be developed to evaluate one's insurance program. However, every item listed here is important to a sound district insurance plan.

Related Research

There have been five previous research studies consummated in Iowa regarding some phase of school insurance. These were completed by: (1) Lura, 1932; (2) Munson, 1950; (3) Ferris, 1955; (4) Simpson, 1960; and (5) Haldin, 1964. Also, there have been a number of studies of a national scope completed by the American School Business Officials and the United States Office of Education.

The first insurance study in Iowa was in 1932 by Casper Paul Lura (45). This was a study of school insurance covering a five-year period from 1926 to 1930. His research involved many phases of the school insurance program, including insurance practices and the loss ratio of Iowa school districts. The findings were based on 815 questionnaires returned representing 41.7 per cent of the school districts in Iowa.

Lura's findings indicated that: (1) stock companies had 51.6 per cent of the school insurance business; (2) mutual companies carried the coverage on 32 per cent of the districts; and (3) 15 per cent of the school corporations had both mutual and stock insurance. The data collected by Lura showed that: (1) 80 per cent coinsurance was carried by 47 per cent of the school districts; (2) 66 per cent reported five-year term policies; and (3) only 50 per cent of the school districts had boiler insurance.
The loss ratio to premiums paid was reported to be: (1) 18 per cent for fire insurance for the five-year period; and (2) the boiler insurance loss ratio was 6.2 per cent.

Blanket fire insurance was carried by 32 per cent of the school districts and windstorm insurance was carried by 74 per cent of the school corporations. It is interesting to note that in this early study 130 schools reported that insurance was carried on motor vehicles and horse-drawn buses.

Lura made several recommendations regarding school insurance programs to increase the safety, economy, and protection. Some of the suggested insurance criteria for that day are applicable for a modern insurance program.

A study regarding the legal liability of school districts was made by Alvin Munson (47) in 1950. The researcher in preparing for this study analyzed and cited several law cases which he believed to be particularly applicable in presenting the court's reasoning concerning the liability of school districts, their officers and employees. Munson defined a school district as a quasi-corporation which is purely a political or civil division of the state and is created in order to facilitate the administration of government. Therefore, a corporation of this class possesses limited powers and has only the authority and rights as prescribed by statute.

In this study, an Iowa case was cited regarding the exemption of a school district from liability on the theory that school districts are involuntary corporations organized solely for public benefit. This particular finding was based on an 1882 case. In 1933 the court again refused damages to an injured pupil in a case involving the Green Mountain school
district. The reasoning was that, when acting in its purely governmental capacity, municipalities are not liable for damages resulting from negligence on the part of its officers, servants, and agents.

The researcher stated that it is a well accepted common-law principal that a school district, its officers, agents, and employees are not legally liable for injuries occurring on or about the school property. However, Munson says that it is a well established premise that the state legislature of any state may abrogate governmental immunity through legislation. Although there have been legislative acts passed by many states regarding the immunity of a school district, no such act has been approved by the Iowa General Assembly.

Munson states that many prominent authorities in education are concerned about the almost universal doctrine of the non-liability of school districts for torts. Why should not the state, as a matter of social justice, subject itself and its agents to liability for certain classes of torts? In summing up, he asks why should an innocent individual who is injured as a result of negligence of an agent of the government be required to bear alone the consequence and hardship of an injury which if spread over the entire society would hardly be noticed.

A study entitled "Insurance Practices in Selected Iowa Schools" was completed by Robert R. Ferris (17) in 1955. The procedures used in this study were as follows: (1) the development of a questionnaire; (2) the selection of every fifth school as found in the Iowa Educational Directory; and (3) the study was limited to schools with less than 500 enrollment in high school. There were 156 questionnaires mailed to the school administrators of the selected school districts and 52 school districts or 33 per
cent returned the instrument.

Of the schools that returned the questionnaires, 17 or 32.7 per cent stated that the responsibility for the insurance program was in the hands of the school board. This was the procedure most often reported. There were 33 schools or 63.5 per cent of those who took part in the survey that reported that the insurance program was placed with local agents on a distributive basis. This study indicated that the most common way for appraising school property was the use of an insurance company engineer. Also, the most common time schedule for appraising school buildings was every five years. The data in this study indicated that 32 or 61 per cent of the schools reporting carried coinsurance. The most common coinsurance rate checked by the respondents was the 80 per cent coinsurance clause. There were 9 districts or 17.3 per cent which reported insuring their buildings and contents under one blanket policy.

This survey shows that 30 schools or 57.7 per cent had all their policies on a five-year basis. No school reported a loss due to fire during the five-year period.

Of the reporting school districts, 20 or 38.5 per cent carried boiler insurance while 27 or 51.9 per cent did not have boiler insurance. No school reporting indicated any loss which was caused by boilers during the period July 1, 1950 to June 30, 1955. There was no indication of any school having a special policy for glass insurance, and only 19 or 36.5 per cent of the schools reporting carried either burglary, robbery, or theft insurance. Also, only 9 schools or 17.3 per cent carried liability insurance.

Ferris recommended the following practices for the improvement of
insurance programs in Iowa schools: (1) one person be given the responsibility for the program; (2) carefully inspect buildings to reduce fire hazards; (3) list all items possible as a part of the building rather than contents; (4) more frequent and uniform appraisal of school property; (5) coinsurance clauses should be included in fire coverage; (6) a term insurance policy should be carried; (7) burglary insurance should be carried; (8) inland marine insurance is not necessary; (9) all school employees handling money should be bonded; and (10) more attention should be given to the care of insurance records.

George Simpson (62) completed a research study in 1960 regarding the insurance practices in the Iowa public high school districts. A questionnaire was developed and mailed to all of the approved Iowa public high school districts. There were 560 instruments returned out of a total population of 648, for an 86.4 per cent return of the questionnaire. The replies to the questionnaires were arbitrarily classified into four groups based upon school district enrollments. These classes were: (1) Group I, 99 and below; (2) Group II, 100-299; (3) Group III, 300-599; and (4) Group IV, 600 and above. This research covered the five-year period from July 1, 1953 to June 30, 1958.

Of the responding school districts, 59.3 per cent purchased their insurance from stock companies. The smaller responding school districts were using more mutual insurance coverage than the larger responding districts. Motor vehicle insurance and workmen's compensation insurance were the only two types of school insurance coverage in which the mutual companies had a majority of the business.

The researcher stated that the services rendered by local insurance
agents were the primary factor in selecting insurance companies. Of the responding school districts, only 48 or 6.4 per cent used professional rating criteria in determining their selection of insurance companies. This study indicated that 299 or 53.6 per cent of the reporting districts designated the school boards directly responsible for the insurance program. Simpson stated that of the responding school districts 407 or 75.8 per cent did not appraise their property as frequently as recommended by insurance authorities. Insurance company engineers appraised school property in 236 school districts or 43.2 per cent of the reporting school corporations.

This research indicated that 270 or 48.4 per cent of the responding districts reported a common expiration date for their insurance policies and 493 or 88.5 per cent of the districts had the insurance premiums fall due in an equal amount each year. Of the responding school districts, 158 or 28.2 per cent used the services of an insurance adviser, and 74 or 48.1 per cent gave the advisor a larger share of the insurance business. The researcher reported that no public high school district in Iowa was self-insured. Coinsurance was purchased by 514 school districts or 92.1 per cent of those reporting. The 80 per cent coinsurance clause was the most common and was used by 38.6 per cent of the districts. At the time of the study, only one school district reported a deductible clause included as a part of its fire insurance program. Replacement insurance was carried by 47.2 per cent of the school districts, and the fire insurance loss ratio of premiums paid over the five-year period was 42.4 per cent. The researcher reported that extended coverage endorsements were included on 88.4 per cent of the school insurance policies. The aggregate amount of fire and
extended coverage insurance in force as of June 30, 1958 was $358,000,000.

Simpson stated that the purchase of general liability insurance by school districts in Iowa is unauthorized since, in accordance with the 1947 opinions of the Iowa Attorney General, public school districts in Iowa are immune from liability. However, 33.5 per cent of the respondents did carry such insurance and of the responding school districts, the general liability insurance loss ratio of premiums paid over the five-year period was 15.9 per cent.

Motor vehicle liability insurance was carried by 539 school districts or 96.9 per cent of the responding school corporations as of June 30, 1958, and the motor vehicle liability insurance loss ratio to premiums paid over the five-year period was 14.7 per cent. Collision insurance was carried on motor vehicles by 64 per cent of the reporting districts, and the motor vehicle collision insurance loss ratio of premiums paid over the five-year period was 21.2 per cent. Motor vehicle comprehensive insurance was carried by 467 school districts or 86.2 per cent, and the comprehensive insurance loss ratio of premiums paid for the five-year period was 18 per cent. According to Simpson, Iowa school districts are preferred risks for motor vehicle insurance.

Although it is not mandatory that school districts in Iowa carry workmen's compensation, they are liable for injuries to employees injured while working in the line of duty. However, this research indicated that 94.8 per cent of the Iowa school districts do carry this type of coverage. The researcher stated that surety bond coverage was purchased for school personnel beyond the state requirement of bonding treasurers and secretaries of the board in 48.2 per cent of the school corporations.
Boiler insurance coverage was carried by 76.3 per cent of the schools. However, the boiler insurance loss ratio of premiums paid were extremely low. Burglary insurance and all-risk insurance was carried by many of the responding school districts.

Simpson recommended: (1) an in-service program on insurance principles; (2) the Department of Public Instruction should provide an insurance consultant; (3) a school insurance handbook should be published; (4) data should be gathered annually on the loss ratio to premiums paid; (5) local districts should carry a sufficient amount of insurance coverage to protect property and funds; (6) every public school district should utilize the services of an insurance advisor; (7) commercial appraisers or reliable local appraiser team composed of a competent local contractor or architect should appraise the value of the school property; and (8) in selecting an insurance carrier, the company's financial rating should be investigated.

Other recommendations were: (1) insurance policy premiums should fall due in approximately equal amounts each year; (2) inventory of equipment and contents should be checked annually; (3) all school districts should use Iowa Department of Public Instruction's Form 513 for recording the insurance policies; (4) school districts should purchase long-term policies; and (5) school districts should purchase coinsurance when applicable.

Additional recommendations were: (1) school districts should use competitive bidding when possible; (2) school districts should consult the Iowa Inspection Bureau when planning a new building; (3) continual emphasis should be placed on the removal of fire hazards in the school buildings; and (4) school districts should investigate the feasibility of carrying insurance with an extended coverage clause and a deductible endorsement.
In the area of motor vehicle insurance, Simpson recommended the following: (1) school districts should make sure the waiver of immunity clause is contained in motor vehicle liability insurance policies; and (2) school districts which operate five or more buses should consider the fleet rate. Other suggestions are: (1) all school districts should carry workmen's compensation; (2) in view of the inspection service rendered, every school district should purchase boiler insurance, preferably the broad form policy; and (3) school districts should carry blanket fidelity bonds to cover the employees other than the treasurer and secretary.

In conclusion Simpson states that the Iowa public high school districts need to improve the method used to purchase school insurance. Assistance may be obtained from many sources including the State Commissioner of Insurance, the Iowa Inspection Bureau, the State Fire Marshal, and the various insurance company representatives.

In 1964, Lyle Haldin (30) completed an insurance investigation of the schools in Ringgold and Decatur counties. He found that the most common method used to ascertain the appraisal values of school property was an appraisal by an insurance company engineer. There were seven districts included in this report and only one reported the use of a professional appraisal in determining the value of property. Of the seven districts, three reported coverage of actual cash value and four reported coverage at replacement value.

In this study, three districts reported no general liability coverage, while four had coverage with varying limits. The most common amount of coverage for boiler insurance was $100,000. One of the seven districts in this study did not carry boiler insurance and those that did used the
broad form coverage. All districts reported the use of an inland marine insurance (floater) type of policy to cover the loss of musical instruments.

Of the seven schools reporting, five carried burglary and robbery insurance with varying limits. At the time of the research, five of the districts were insured under public and institutional plans of insurance. All school districts included the extended coverage endorsement as part of their policy, while vandalism and malicious mischief endorsements were carried in five of the districts.

Haldin stated that all districts were presently utilizing a term insurance policy. In only three districts was the obligation of administering the insurance program placed in the hands of the school administrators.

Haldin concluded: (1) the responsibility of administering the insurance program should be placed in the hands of one administrator; (2) the State Department of Public Instruction should provide greater leadership in the field of school insurance; (3) the status of general liability insurance should be clarified by legislation; and (4) the loss ratio for Iowa schools for property protection is low, therefore, a reduction of premium rates seems in order.

Other conclusions are: (1) all school districts should consider the public and institutional property plan of insurance; (2) consideration should be given to establishing a state system of insurance on school property; (3) all schools should give considerable thought to the use of replacement cost insurance; and (4) appraisals should be made more frequently.

Haldin further stated that there is a need for all school districts to review their insurance program annually in order to keep the school insurance program up-to-date. He suggested that school districts should use an
agent of records, a person trained in insurance and one who would give technical assistance to those responsible for the administration of a school district's insurance program.

There have been several national studies made. Perhaps the most notable of these was a series of studies completed by the American Association of School Business Officials (42, p. 315). A nationwide study was completed covering a ten-year period of 1921 to 1930. This particular research indicated that only 28.7 per cent of every premium dollar was returned to the school district in the form of claims. A second study was completed by this group covering the period of 1931 to 1937 in which a loss ratio of 26.9 per cent was reported. A third study was completed by this association for the period 1935 to 1945 and a loss ratio of 31.9 per cent was reported.

Paul D. Salmon (54) completed a fire insurance study of principles and practices for the Association of School Business Officials in 1958. This study was based on the data reported by 340 districts. It was reported that 30 per cent of the appraised values of school property was determined by commercial firms while 40 per cent of these values was determined by insurance company engineers. Of the reporting districts, 42 per cent indicated that values are re-established on a yearly basis, while 24 per cent reported a five-year interval or longer as the basis for determining property values. In this study it was found that 80 per cent of the reporting districts insured school property under a blanket form.

The researcher found that 64 per cent reported the use of a 90 per cent coinsurance clause while many districts were still utilizing the 80 per cent coinsurance endorsement.
Salmon stated that in purchasing insurance, a bidding procedure may bring a great deal of competition and benefit to the district in the form of a sizable savings. Of the 353 reporting districts, 47 utilized competitive bidding methods.

In 1956, N. E. Viles (69) of the Office of Education completed a study on school property insurance experience at the state level. His tabulations provide summaries of the state reported educational building fire insurance costs and losses paid for the five-year period 1948-1952.

This study shows a wide range in loss ratios. Iowa had a reported loss ratio of 10.2 per cent in fire-resistive buildings in protected areas, while a 36.9 per cent loss ratio was reported for Iowa for brick buildings in protected areas. For the same period a loss ratio of 40.5 per cent was reported by the Iowa districts for frame buildings in protected areas.

The loss ratio for all Iowa school buildings was reported as 32.0 per cent for the 1948-1952 period.

Viles studied the various state plans and commented that the Wisconsin State Insurance Fund loss ratios were higher than for commercial insurance companies for the same five-year period. However, the State Insurance Fund premiums collected for Wisconsin were at 50 per cent of the rates of stock and a majority of the mutual companies.

**Summary related research**

The previous studies found that: (1) the loss ratio of premiums paid are low in Iowa; (2) coinsurance is well accepted and either 80 or 90 per cent clauses are the most common; (3) few schools make use of deductible clauses; (4) only about 30 per cent of the schools carry general liability;
and (5) only a small percentage of the districts use a form of money and securities coverage.

Other findings are: (1) no districts are carrying self-insurance; (2) glass insurance is usually not carried; (3) boiler insurance is well accepted with a $100,000 limit being the most common; and (4) an increasingly larger number of school corporations are carrying some form of all-risk (inland marine) or floater coverage on equipment.

In the motor vehicle area: (1) most districts carry liability coverage; (2) collision is carried by many districts; (3) medical payment as recommended is being carried usually in the amounts of $500; (4) comprehensive is carried by most districts; and (5) bodily injury and property damage coverage is carried by most districts in the amounts of $100,000 - $300,000 - $10,000. In recent years, school insurance coverages have changed because of public concepts, court decisions, rapidly changing physical property values, and a better understanding of the school insurance needs by the insurance industry which has prompted new insurance forms. Therefore, some of the findings of previous studies will not be applicable to the present research.
CHAPTER III. PROCEDURES USED IN THE STUDY

The purpose of this study was to determine the current insurance practices in the public four-year high school districts of Iowa and to evaluate them in terms of established insurance criteria.

The study was delimited to the 459 public four-year high schools in the State of Iowa. These districts were identified from data in the Department of Public Instruction for the 1964-1965 school year. All districts reorganized between June 30, 1960 and July 1, 1964 were eliminated and only those districts which survived as public four-year high schools were studied in this research. The study was further limited to the principles and practices of the administration of the school insurance program.

The methods of procedure were conducted within these guidelines to obtain the objectives of the study which are explained in more detail in the various sections of this chapter.

Selection of Sample

In the fall of 1964, Paul F. Johnston, State Superintendent of Public Instruction, indicated the need of current research in the field of insurance practices in the State of Iowa. A five-year study had previously been completed covering the years 1953-1958. The earlier study had utilized data from the entire population and 560 questionnaires had been returned from a total 648 schools, a response of 86.4 per cent. Because of the vast variation in size and because of the belief that there is a wide variation in insurance practices even among schools of similar size, the entire population was surveyed.

The next step is to establish the years to be studied. At first, the
years 1959-1964 were considered. However, before the instrument was final­ized the 1964-1965 school year was completed and the proposed study could cover the 1960-1965 period. Thus, the study would be more current and therefore should be of more value.

In addition to the selection of a five-year period, it was necessary to identify the districts to be studied. The number of districts and the school population of these districts change each year because of reorganiza­tion. Therefore, a base year was determined.

The 1964-1965 school year was selected as the base period with a total population of 459 the number of public four-year high schools in operation as of July 1, 1964.

A decision on the proposed classification was reached after a dis­cussion with the regional consultants from the Department of Public Instruc­tion, who visit all public schools and are familiar with the administrative practices of schools of all sizes.

CLASSIFICATION OF THE PUBLIC FOUR-YEAR HIGH SCHOOL DISTRICTS FOR THE 1964-1965 SCHOOL YEAR

<table>
<thead>
<tr>
<th>Class. No.</th>
<th>High School Enrollment</th>
<th>No. of Districts</th>
</tr>
</thead>
<tbody>
<tr>
<td>I.</td>
<td>199 and below</td>
<td>208</td>
</tr>
<tr>
<td>II.</td>
<td>200 to 399</td>
<td>156</td>
</tr>
<tr>
<td>III.</td>
<td>400 to 599</td>
<td>46</td>
</tr>
<tr>
<td>IV.</td>
<td>600 to 999</td>
<td>26</td>
</tr>
<tr>
<td>V.</td>
<td>1,000 and up</td>
<td>23</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>459</td>
</tr>
</tbody>
</table>

High School Enrollments based on data reported to the Iowa State Department on the General Annual Report as of September 30, 1964.
Development of the Instrument

The instrument used in this study was developed over a period of several months. The questionnaire used in the Simpson study (62) was used as a starting point. This was done for two reasons: (1) it was a logical and convenient place to begin, and (2) if the second study was similar to the first, a better evaluation could be made in the progress of the administration of school insurance programs. Next, a careful study was made of Salmon's (54) instrument used in the School Business Official's study of 1958. A visit was made to Philip Jester's (past president of the Association of Independent Insurance Agents of Des Moines) for consultation. A request was made to Mr. Jester to submit suggestions for the questionnaire. When these were received, the first draft of the instrument was developed.

The first draft was then taken to Ottumwa for a review by Mr. Leighton Smith, a school business official knowledgeable in the area of insurance, and Andrew Norton, local insurance agent for the company which insures the Ottumwa schools. After a review of the instrument by these two specialists, their suggestions were considered. Certain aspects of the original draft were discussed with Mr. Arnold Smith, Deputy Insurance Commissioner; Glen Bondesson, Manager of the Iowa Inspection Bureau; and David Paul, a bond specialist with a Des Moines insurance company. The development of the instrument required numerous revisions, and several drafts were necessary before the final form was acceptable. A copy was then submitted to Richard Manatt of the Iowa State University staff for review and recommendations. Dr. Manatt suggested that the instrument be tested by structuring a pilot study.
Pilot Study

The pilot study was completed during the first two weeks of July, 1965. The questionnaire was mailed to ten selected school districts based on size proportional to the number of schools in each group. The proposed classification was presented in a previous section of this chapter.

A cover letter was mailed with the pilot questionnaire stating the purposes of the study and explaining that the comments and evaluations of the instrument would be invaluable in developing the final form.

Since time was important to the completion of the entire study, a response card was enclosed on which the participants were requested to indicate the intent to participate in the pilot study.

A date was determined for the completion of the pilot study which permitted the local school officials approximately two weeks to answer. The self-addressed reply card helped to assure a better and quicker response from the participants.

Administration of the Instrument

A mailing list of the 459 public four-year high schools was developed from data available in the Iowa Department of Public Instruction. This mailing was coded for classification purposes, and as each school replied, the instrument was checked for completeness. The mass mailing was made on August 16, 1965, with a cover letter from the State Superintendent of Public Instruction explaining the purpose and importance of the study.

All mailings went to the school superintendent with the suggestion that the individual and/or individuals responsible for the insurance program complete the instrument. The follow-up letters were handled in the
same manner. This procedure was followed even with those schools which employ a business manager, since it is essential that the chief executive know what is happening in the area of educational administration.

After a period of seven weeks, a first follow-up mailing was made on October 11, 1965. Also, a second follow-up mailing was made after a waiting period of about eight weeks.

The questionnaire was structured to accommodate the use of the Department of Public Instruction's data processing equipment. Mrs. Evelyn Nielson, Supervisor of Data Processing in the Department of Public Instruction, cooperated with the investigator to assure that the instrument would be adaptable to the data equipment.

The Instrument

The county and district numbers presently used by the Department of Public Instruction for identification purposes was used in this study. For example, the Ames Community School District is number 85 225. The study required approximately seven data cards to record all the data requested on each questionnaire. Each card was punched with a card number as well as a county and district number.

The questionnaire (Appendix C) was structured to accommodate replies coded with an arabic number, for example, question number one, "Does the district insure with a mutual company? (1) Yes, (2) No". In those questions where a variety of answers might be possible, the most frequent responses were coded (1), (2), (3), etc. and a number was assigned for an alternate response of "other". Those respondents who selected "other" were requested to explain. Some questions warranted a multiple reply;
therefore, a value judgment was requested in which the major or prime answer, only, should be checked.

Each questionnaire which was returned necessarily required very careful editing to assure that the responses could be read easily by the key punch personnel. The data were of a count or per cent type and were processed on the sorter.

**Interpreting the Data**

Approximately 70 individual responses, plus several subresponses, were required to complete the questionnaire. Since the replies were number coded, this simplified the compilation of the data from the instrument.

The administrative practices section required only the checking of the proper number response and reflected the current practices as of June 30, 1965, in such areas as: (1) method of selecting companies; (2) frequency of property appraisals; (3) rates of coinsurance; (4) methods of purchasing insurance; and (5) many others. The schools were grouped by classes, and the number of responses were interpreted in percentages by groups. These data provided background to determine which class of districts are presently following the best practices in light of current knowledge. About 20 areas of school insurance practices were isolated, identified, and presented in table form for easy analysis.

The second type of data that were collected on the questionnaire were of a cumulative nature and required compilation over the five-year period of July 1, 1960 to June 30, 1965. Some of these data were of a count and percentage nature while other types required an amount-in-dollars answer. This section covered such areas as (1) fire insurance costs, losses, number
of claims, and loss ratios; (2) vehicular insurance costs, losses, number of claims, and loss ratios; and (3) many other pertinent areas where knowledge of cost and loss ratios should prove helpful.

Approximately ten distinct and important areas for a cost study were isolated, identified, and tabled for easy analysis.

The current five-year study paralleled the first five-year study by Simpson closely enough to permit a valid evaluation of the improvements made in the administration of the school insurance program. The insurance practices for the present study were better than those recorded in the earlier study when measured against accepted criteria as shown in Chapter VI of the study.
CHAPTER IV. FINDINGS

The findings of this study are based upon 441 replies of a total population of 459. This represents a 96.1 per cent return of the instrument. This was accomplished by an initial and two follow-up mailings over a period of four and one-half months. The original cover letter, which was mailed with the questionnaire, and the follow-up letters were signed by the State Superintendent. This approach was used in an effort to assure a better response.

The school districts of Iowa were arbitrarily divided into five categories based upon high school enrollment as discussed in Chapter III. The number of schools in each class and the number of respondents by groups are listed below:

<table>
<thead>
<tr>
<th>Group</th>
<th>Enrollment</th>
<th>No. of Districts</th>
<th>No. of Replies</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>199 and below</td>
<td>208</td>
<td>201</td>
</tr>
<tr>
<td>II</td>
<td>200 to 399</td>
<td>156</td>
<td>149</td>
</tr>
<tr>
<td>III</td>
<td>400 to 599</td>
<td>46</td>
<td>45</td>
</tr>
<tr>
<td>IV</td>
<td>600 to 999</td>
<td>26</td>
<td>25</td>
</tr>
<tr>
<td>V</td>
<td>1,000 and up</td>
<td>23</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>459</td>
<td>441</td>
</tr>
</tbody>
</table>

In the discussion to follow, any reference to school districts by groups refers to the above classification of Iowa public four-grade high school districts. The reference to respondents refers to the individual school districts which replied to the insurance questionnaire used in this investigation.
Administration of the School Insurance Program

This section of the study is a consideration of the administrative aspects of school insurance. The selection of companies, the appraisals, and the managerial factors of insurance administration are discussed.

Utilization of insurance companies

The public school districts of Iowa may insure with either stock or mutual insurance carriers. These two types of insurance companies were defined earlier in the study, but a brief review here might be helpful. A stock insurance company is a corporation owned and controlled by its stockholders. The control of a stock company is exercised through directors who are elected by the stockholders. The interest of the stockholders in such a company is the making of a profit while providing sound insurance to policyholders. While a mutual company is operated basically in the same way, the underlying principle is to supply insurance at cost to its members, who elect directors that carry on the actual administration. A mutual insurance carrier is theoretically owned and controlled by the policyholders themselves. Both types of companies are subjected to regulation and supervision by the state (44, p. 30).

In the past, authorities on school insurance have been critical of school officials for not purchasing mutual coverage and thus realizing a considerable savings for the district. In their 1952 publication, Linn and Joyner (43, p. 121) stated that school districts are not taking advantage of the savings possible by purchasing insurance from mutual companies.

Currently there is some evidence to indicate that the rates of stock and mutual carriers do not vary as much as might once have been true.
The development of the new forms (public and institutional property and special multi-peril) has apparently lead to greater competition among all insurance companies. At least, on one occasion (63) a stock company was the low bidder in rather keen competition for the Ottumwa insurance business.

This would seem to indicate that, under certain conditions, stock companies can and will reduce their rates to secure business.

In this survey of school insurance, 72 questions (see Appendix C) were asked of the Iowa public school officials regarding their school district insurance practices. Table 1 shows the responses to question two regarding insuring with a mutual company. There were 382 districts or 86.6 per cent which carried some insurance with a mutual company. The following data show the variation by groups: (1) 90.0 per cent in Group I; (2) 87.9 per cent in Group II; (3) 93.3 per cent in Group III; (4) 68.0 per cent in Group IV; and (5) 52.4 per cent in Group V.

Of the transactions with mutual companies, only three of the responding school officials reported in question 4 that their dealings had been unsatisfactory, while four of the respondents indicated dissatisfaction with a stock insurance company.

In tabulating the responses regarding utilization of insurance companies, it was found that both mutual and stock companies are furnishing the same types of insurance coverages to the Iowa public high school districts. The breakdown in Table 1 of mutual and stock insurance coverages by the five group classifications indicates the percentages of coverages by stock and mutual insurance carriers.

Stock companies outsold mutual carriers in five areas of coverage.
Table 1. Stock and mutual company insurance coverages carried by the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>Types of coverage and companies</th>
<th>Group I</th>
<th>Group II</th>
<th>Group III</th>
<th>Group IV</th>
<th>Group V</th>
<th>Total Number</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire and ext. coverage *</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Mutual</td>
<td>119</td>
<td>71</td>
<td>19</td>
<td>6</td>
<td>4</td>
<td>219</td>
<td>49.7</td>
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<tr>
<td>Stock</td>
<td>126</td>
<td>108</td>
<td>37</td>
<td>21</td>
<td>19</td>
<td>311</td>
<td>70.5</td>
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<tr>
<td>Motor vehicle</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Mutual</td>
<td>158</td>
<td>111</td>
<td>35</td>
<td>17</td>
<td>6</td>
<td>327</td>
<td>74.1</td>
</tr>
<tr>
<td>Stock</td>
<td>39</td>
<td>33</td>
<td>9</td>
<td>9</td>
<td>13</td>
<td>103</td>
<td>23.4</td>
</tr>
<tr>
<td>Surety bonds</td>
<td></td>
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<td></td>
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<tr>
<td>Mutual</td>
<td>83</td>
<td>47</td>
<td>15</td>
<td>6</td>
<td>2</td>
<td>153</td>
<td>34.4</td>
</tr>
<tr>
<td>Stock</td>
<td>102</td>
<td>91</td>
<td>31</td>
<td>17</td>
<td>19</td>
<td>260</td>
<td>60.0</td>
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<tr>
<td>Boiler</td>
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<tr>
<td>Mutual</td>
<td>26</td>
<td>14</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>44</td>
<td>9.9</td>
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<td>43</td>
<td>22</td>
<td>18</td>
<td>349</td>
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<td>Liability</td>
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<tr>
<td>Mutual</td>
<td>97</td>
<td>55</td>
<td>16</td>
<td>2</td>
<td>1</td>
<td>171</td>
<td>38.7</td>
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<tr>
<td>Stock</td>
<td>69</td>
<td>66</td>
<td>24</td>
<td>19</td>
<td>15</td>
<td>193</td>
<td>43.8</td>
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<tr>
<td>Burglary</td>
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<tr>
<td>Mutual</td>
<td>60</td>
<td>39</td>
<td>8</td>
<td>2</td>
<td>0</td>
<td>109</td>
<td>24.7</td>
</tr>
<tr>
<td>Stock</td>
<td>48</td>
<td>54</td>
<td>30</td>
<td>19</td>
<td>11</td>
<td>162</td>
<td>36.7</td>
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<tr>
<td>Workmen's compensation</td>
<td></td>
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<tr>
<td>Mutual</td>
<td>138</td>
<td>102</td>
<td>25</td>
<td>13</td>
<td>8</td>
<td>286</td>
<td>64.9</td>
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<tr>
<td>Stock</td>
<td>63</td>
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<td>20</td>
<td>12</td>
<td>13</td>
<td>154</td>
<td>34.9</td>
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<td>Number of districts with coverage in *</td>
<td></td>
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<td></td>
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<tr>
<td>Mutual</td>
<td>181</td>
<td>131</td>
<td>42</td>
<td>17</td>
<td>11</td>
<td>382</td>
<td>86.6</td>
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<tr>
<td>Stock</td>
<td>172</td>
<td>136</td>
<td>42</td>
<td>24</td>
<td>20</td>
<td>394</td>
<td>89.3</td>
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<td>Percentage of districts with coverage in</td>
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<td></td>
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<td></td>
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<tr>
<td>Mutual</td>
<td>90.0</td>
<td>87.9</td>
<td>93.3</td>
<td>68.0</td>
<td>52.4</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Stock</td>
<td>85.6</td>
<td>91.3</td>
<td>93.3</td>
<td>96.0</td>
<td>95.2</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

*The percentage in certain lines and columns will exceed 100 per cent since several districts carried both stock and mutual policies in the same area of coverage.
These were: (1) fire and extended coverage; (2) surety bonds; (3) boiler; (4) liability; and (5) burglary. Mutual companies outsold stock carriers in only two areas of coverage, and these were: (1) motor vehicle coverage; and (2) workmen's compensation.

The total number and the percentage in certain lines and columns of Table 1 will exceed 100 per cent since several districts carried both stock and mutual policies in the same area of coverage. The greatest overlap of mutual and stock policies was in the area of fire and extended coverage.

Almost three-fourths of all motor vehicle insurance carried was reported to be with a mutual company. While 256 school districts or 64.9 per cent of the respondents indicated that their workmen's compensation coverage was with a mutual carrier.

Of the districts returning the instrument, 47 purchased insurance exclusively from stock insurance carriers, while 56 districts restricted their purchases exclusively to mutual companies. In Group V, mutual carriers did not outsell stock insurance companies in a single area of coverage. Groups I, II, and III, the classifications containing the smaller districts, were the most frequent users of mutual insurance companies. This might indicate that the small school district tends to distribute its insurance coverages among all the local agents, and almost every community has at least one agent representing a mutual carrier.

Selection of insurance companies

Many school districts either spread their coverage with every agent in the district or turned it over to a local insurance association for
equitable distribution. Few school officials use a professional rating guide (Best's or Dunn's) to select the more desirable carriers. Simpson's study of insurance in the Iowa public high schools showed that only three districts reported that they relied on a professional rating. The present study indicates that eleven districts are presently using this method of selection.

The data regarding the major consideration in selecting insurance carriers are reported in Table 2. It was found that 181 school districts or 41.0 per cent of all districts responding to this question gave service as the prime consideration.

There were 155 school officials who indicated that companies are selected primarily because a local agent represents the firm or because of a local insurance agent's recommendation. This represents 35.1 per cent of all districts which responded to this question.

Premiums charged was reported as the prime consideration by only 63 reporting officials and this represented 14.2 per cent of those districts which responded to this particular inquiry.

Only 2.4 per cent of the responding school districts indicated that they used the professional rating company publications to select their insurance carriers. Insurance authorities state that the simplest and most reliable method to use in the selection of an insurance company is an Insurance Guide which gives a managerial rating for each company. A rating of A+, A,A is an acceptable minimum requirement for a school system to follow. The first letter, A+, indicates that a company has excellent management characteristics, and the rating of A,A indicates that the policyholders' surplus is between five million and seven and one-half million
Table 2. Methods of selecting insurance companies in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>Methods of Selection</th>
<th>Group I</th>
<th>Group II</th>
<th>Group III</th>
<th>Group IV</th>
<th>Group V</th>
<th>Total</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service rendered by local agent</td>
<td>94</td>
<td>61</td>
<td>10</td>
<td>10</td>
<td>6</td>
<td>181</td>
<td>41.0</td>
</tr>
<tr>
<td>Professional rating company</td>
<td>3</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>11</td>
<td>2.4</td>
</tr>
<tr>
<td>Companies represented or recommended by local agent or agents</td>
<td>65</td>
<td>53</td>
<td>22</td>
<td>7</td>
<td>8</td>
<td>155</td>
<td>35.1</td>
</tr>
<tr>
<td>Premiums charged</td>
<td>22</td>
<td>22</td>
<td>9</td>
<td>7</td>
<td>3</td>
<td>63</td>
<td>14.2</td>
</tr>
<tr>
<td>Other methods</td>
<td>15</td>
<td>6</td>
<td>4</td>
<td>1</td>
<td>3</td>
<td>29</td>
<td>6.5</td>
</tr>
<tr>
<td>No response</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>.8</td>
</tr>
<tr>
<td>Total</td>
<td>199</td>
<td>149</td>
<td>45</td>
<td>25</td>
<td>21</td>
<td>441</td>
<td></td>
</tr>
</tbody>
</table>

dollars (43, p. 127).

Distribution of risks, adequacy of rates and reserves, type and diversification of assets, and the character of the directorate and management, all should be given careful investigation (43, p. 127).

Management of the school insurance program

One of the major problems in the school insurance program concerns the management responsibility for the school insurance program. The best safeguard to assure the implementation and maintenance of a good insurance program is an administrative structure which gives clear direction in matters of policy and clear delegation of the operational responsibilities (41, p. 105). Under this arrangement, the insurance agents and brokers
have one person to contact regarding insurance matters (43, p. 320).

The responses regarding who has the responsibility for handling the school insurance program, as shown in Table 3, indicate that the superintendent is most often in charge. Of the 438 school districts responding to this question 167, or 37.8 per cent, indicated that the chief school administrator was given this responsibility. It is interesting to note that in the larger school districts in Group V, only one district reported that this responsibility was assumed by the chief administrator, while 15 of the 21 responding districts marked that the business manager or board secretary was assigned this responsibility.

Although few schools still depend on a board member or members to handle this important phase of the school business, it was found that 90 of the responding districts in Group I, or 45.2 per cent of this class, still depend on this method for managing the insurance program while 22 districts or 4.9 per cent utilize an insurance advisor to administer the insurance program. Fewer than might be expected entrusted their insurance business to a local agent's association. There were 21 responding districts, which represented 4.7 per cent, that utilize this type of procedure for handling their insurance. Groups I and II had the largest number of schools in this class.

When an insurance adviser or a local agents' association is used, the school administrator should make sure that the insurance consultant is unbiased and is compensated for services rendered so that the district can remain a free agent (27, p. 554).
Table 3. Management responsibility of insurance programs in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>Authorities responsible</th>
<th>Group I</th>
<th>Group II</th>
<th>Group III</th>
<th>Group IV</th>
<th>Group V</th>
<th>Total</th>
<th>Replies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superintendent</td>
<td>71</td>
<td>69</td>
<td>18</td>
<td>8</td>
<td>1</td>
<td>167</td>
<td>37.8</td>
</tr>
<tr>
<td>Business Manager or Board Secretary</td>
<td>18</td>
<td>15</td>
<td>8</td>
<td>8</td>
<td>15</td>
<td>64</td>
<td>14.3</td>
</tr>
<tr>
<td>Board of Education or Ind. Bd. Member</td>
<td>90</td>
<td>45</td>
<td>9</td>
<td>5</td>
<td>0</td>
<td>149</td>
<td>33.7</td>
</tr>
<tr>
<td>Insurance Adviser</td>
<td>7</td>
<td>10</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>22</td>
<td>4.9</td>
</tr>
<tr>
<td>Local Agents' Assoc.</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>21</td>
<td>4.7</td>
</tr>
<tr>
<td>Others</td>
<td>7</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>15</td>
<td>3.4</td>
</tr>
<tr>
<td>No response</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>201</td>
<td>149</td>
<td>45</td>
<td>25</td>
<td>21</td>
<td>441</td>
<td></td>
</tr>
</tbody>
</table>

**Property appraisals**

The appraisal of school property is one of the important problems of school insurance administration, because this is how the insurable value is determined. The actual cash value of property is seldom the same as the original cost (5, p. 14).

Therefore, it is imperative that an accurate appraisal which is updated periodically be available for the basis of a settlement in case of a loss. An exact and up-to-date appraisal and inventory are required in order to know how much insurance to buy and to prove dollar value in the event of a claim (41, p. 88). Some authorities recommend an annual appraisal (41). Salmon, in his study, asked a panel of experts on school insurance how often school districts should appraise property, and there was
unanimous agreement that districts should reappraise their property at least once every two years (54, p. 57).

Table 4 shows the frequency with which Iowa public four-grade high school districts appraise their property. These data indicate that 184 responding districts, or 41.7 per cent, appraised every year. This appears to be an area of favorable improvement over the early study which reported only a 14.5 per cent annual appraisal (62, p. 57).

There were 120 districts or 27.2 per cent which still depend on a five-year appraisal program. Group I, with 72 respondents or 30.5 per cent reported the highest number still using a five-year plan. Group V had only one district or 4.7 per cent that still utilized this method of reevaluating its property, while 14 or 66.6 per cent of this group use an annual appraisal.

Table 4. Frequency of school property appraisals in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>Frequency of Appraisals</th>
<th>School Districts</th>
<th>Replies</th>
<th>Total</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annualy</td>
<td>Group I</td>
<td>59</td>
<td>184</td>
<td>41.7</td>
</tr>
<tr>
<td></td>
<td>Group II</td>
<td>74</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group III</td>
<td>24</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group IV</td>
<td>13</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group V</td>
<td>14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Every 2 years</td>
<td>Group I</td>
<td>13</td>
<td>25</td>
<td>5.7</td>
</tr>
<tr>
<td></td>
<td>Group II</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group III</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group IV</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group V</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Every 3 years</td>
<td>Group I</td>
<td>32</td>
<td>70</td>
<td>15.9</td>
</tr>
<tr>
<td></td>
<td>Group II</td>
<td>25</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group III</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group IV</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group V</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Every 5 years</td>
<td>Group I</td>
<td>72</td>
<td>120</td>
<td>27.2</td>
</tr>
<tr>
<td></td>
<td>Group II</td>
<td>32</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group III</td>
<td>9</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group IV</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group V</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>Group I</td>
<td>21</td>
<td>38</td>
<td>8.6</td>
</tr>
<tr>
<td></td>
<td>Group II</td>
<td>11</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group III</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group IV</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group V</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No response</td>
<td>Group I</td>
<td>4</td>
<td>4</td>
<td>.9</td>
</tr>
<tr>
<td></td>
<td>Group II</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group III</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group IV</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group V</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>Group I</td>
<td>201</td>
<td>441</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group II</td>
<td>149</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group III</td>
<td>45</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group IV</td>
<td>25</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group V</td>
<td>21</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The data indicating the authorities responsible for property appraisals are shown in Table 5. In 290 responding school districts, or 65.8 per cent, insurance company engineers assumed the major responsibility for the appraisals. Professional appraisers were used in 61 districts or 13.8 per cent of all reporting school corporations. This is an increase of only 3.9 per cent in professional appraisals over the first five-year study (62, p. 59).

Other appraisers of responding school districts were: (1) school personnel in 60 districts or 13.6 per cent; (2) local architects or contractors in 7 districts or 1.6 per cent; and (3) other methods (not listed on the instrument) accounted for 22 districts or 5.0 per cent.

Table 5. Property appraisers in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>Property Appraisers</th>
<th>School Districts</th>
<th>Replies</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group I</td>
<td>Group II</td>
<td>Group III</td>
<td>Group IV</td>
<td>Group V</td>
<td></td>
<td>Number</td>
<td></td>
</tr>
<tr>
<td>School personnel</td>
<td>29</td>
<td>22</td>
<td>7</td>
<td>1</td>
<td>1</td>
<td>60</td>
<td>13.6</td>
<td></td>
</tr>
<tr>
<td>Professional services</td>
<td>23</td>
<td>19</td>
<td>11</td>
<td>3</td>
<td>5</td>
<td>61</td>
<td>13.8</td>
<td></td>
</tr>
<tr>
<td>Local architects or contractors</td>
<td>2</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>7</td>
<td>1.6</td>
<td></td>
</tr>
<tr>
<td>Insurance company engineers</td>
<td>136</td>
<td>94</td>
<td>27</td>
<td>20</td>
<td>13</td>
<td>290</td>
<td>65.8</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>11</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>22</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>No response</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>.2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>201</td>
<td>149</td>
<td>45</td>
<td>25</td>
<td>21</td>
<td>441</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The Iowa public high school districts are not following the appraisal practices recommended by some insurance authorities, namely: (1) the frequency of appraisal; and (2) the proper officials to make appraisals (43, p. 83).

**Insurance record form**

An insurance record system should be adopted by all school districts to give quick reliable information when needed. Linn and Joyner (43, p. 120) stated the insurance record form should be simple enough to be economically maintained. These records should be maintained on a uniform basis in one place for ease in checking at any time concerning any change or addition.

The general posting of data to these records can usually be completed once each year. However, any unusual data should be recorded immediately so that the information on the cards will always be up-to-date. The operational responsibilities for keeping records, processing claims, and directing safety programs should be delegated explicitly to the superintendent or the appropriate assistant (41, p. 105).

In reply to question 14, regarding an adopted insurance record form, the following data were reported by the respondents and the tabulated results are recorded in Table 6: (1) 77 districts, or 38.3 per cent in Group I reported a uniform record system; (2) Group II, 54 districts or 36.2 per cent; (3) Group III, 23 districts or 51.1 per cent; (4) Group IV, 11 districts or 44.0 per cent; and (5) Group V, 9 districts or 42.9 per cent utilized an insurance record form.
Table 6. Insurance record form in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Total Districts</th>
<th>Insurance Record Form</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No. of replies</td>
</tr>
<tr>
<td>Group I</td>
<td>201</td>
<td>77</td>
</tr>
<tr>
<td>Group II</td>
<td>149</td>
<td>54</td>
</tr>
<tr>
<td>Group III</td>
<td>45</td>
<td>23</td>
</tr>
<tr>
<td>Group IV</td>
<td>25</td>
<td>11</td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>174</td>
</tr>
</tbody>
</table>

Concurrency of insurance policies

The literature on school insurance written by those people knowledgeable in the field would seem to agree that insurance policies of a given type should have a common expiration date each year. Also the insurance program should be distributed so that the annual premium payment is approximately the same.

Levensohn states (41, p. 95) that a district should have all policies expire on the same date each year. This facilitates an annual review of the insurance program and makes unlikely a failure to renew an expiring policy.

Linn and Joyner (43, p. 95) suggest that insurance should be purchased on a term basis with a portion of the insurance expiring on a common date each year. In this manner, the yearly budgets for insurance can be approximately the same each year. Another advantage of one expiration date a year for all school insurance is that of posting data to the insurance
record or onto cards once each year.

"Does the district have one common expiration date for each group or classification of insurance?", was question 15 on the instrument. This inquiry was answered by all 441 respondents. As shown in Table 7, 294 responding districts, or 66.6 per cent had common expiration dates for insurance policies. Group V with 18 school districts had the best response to this question, or 85.7 per cent answering in the affirmative.

Table 7. Number of Iowa public high school districts with concurrent insurance expiration dates by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Total Districts</th>
<th>Concurrent Expiration Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of replies</td>
<td>Per cent replies</td>
</tr>
<tr>
<td>Group I</td>
<td>201</td>
<td>120</td>
</tr>
<tr>
<td>Group II</td>
<td>149</td>
<td>102</td>
</tr>
<tr>
<td>Group III</td>
<td>45</td>
<td>34</td>
</tr>
<tr>
<td>Group IV</td>
<td>25</td>
<td>20</td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>294</td>
</tr>
</tbody>
</table>

Other responses to this question were: (1) Group I, 120 reporting concurrent insurance expiration dates or 59.7 per cent; (2) Group II with 102 affirmative answers for a 68.4 per cent response; (3) Group III had 34 which answered yes for a 75.5 per cent reply; and (4) Group IV reported 18 with concurrent dates for an 80.0 per cent positive response. It is interesting to note that the larger the size of the school district, the greater the percentage with concurrent expiration dates.
The data in Table 8 indicate that of 441 districts 406, or 92.0 per cent of the reporting schools, said that an effort is made to have all insurance premiums fall due in approximately the same amounts each year.

Table 8. Number of Iowa public high school districts with concurrent annual insurance premiums by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Total Districts</th>
<th>Concurrent Annual Premiums</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of replies</td>
<td>Per cent replies</td>
</tr>
<tr>
<td>Group I</td>
<td>201</td>
<td>182</td>
</tr>
<tr>
<td>Group II</td>
<td>149</td>
<td>137</td>
</tr>
<tr>
<td>Group III</td>
<td>45</td>
<td>41</td>
</tr>
<tr>
<td>Group IV</td>
<td>225</td>
<td>25</td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>406</td>
</tr>
</tbody>
</table>

Methods of distributing insurance

Many boards of education divide their insurance business among all the agents in the district. Some of the boards have solved the problem of working with several agents by dealing with only one broker who represents all the fire insurance companies in the district. Under this plan, the board pays only one premium check and receives only one check for each loss (36, p. 526).

Levensohn states (41, p. 96) that there are great pressures to spread the district's insurance business among a large number of local agents. There are at least three disadvantages to spreading insurance:

1. No one will receive enough commissions to warrant spending
much time on the account;

2. If insurance is scattered, the chances of accidental gaps, overlapping, and non-concurrences are increased; and

3. The settlement is more complicated because of the numerous claims to file for a single loss (41, p. 96).

There were 440 replies regarding the methods utilized for distributing the insurance program. These data are recorded in Table 9.

Table 9. Methods of distributing insurance in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>Methods of Distributing</th>
<th>School Districts</th>
<th>Replies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group I</td>
<td>Group II</td>
</tr>
<tr>
<td>Placed with local agents or local insurance association</td>
<td>143</td>
<td>92</td>
</tr>
<tr>
<td>Competitive bidding</td>
<td>50</td>
<td>45</td>
</tr>
<tr>
<td>Others</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>No response</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>201</td>
<td>149</td>
</tr>
</tbody>
</table>

In response to this question, 298 schools or 67.6 per cent indicated that the district's insurance is placed with local agents or with a local insurance association. Only 118 school corporations or 26.7 per cent of the respondents to this inquiry marked the use of competitive bidding. However, this is a marked increase over the previous five-year study which showed only 16.7 per cent using competitive methods.
Chief insurance adviser

Only 155 districts, or 35.1 per cent of the respondents, as shown in Table 10, had a chief insurance adviser. The data reported indicate a range of 24.4 per cent with adviser in Group I to 85.7 per cent in the larger districts, or Group V.

Table 10. Number of Iowa public high school districts with chief insurance advisers by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Total Districts</th>
<th>Chief Insurance Adviser</th>
<th>Per cent replies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. with advisers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group I</td>
<td>201</td>
<td>49</td>
<td>24.4</td>
</tr>
<tr>
<td>Group II</td>
<td>149</td>
<td>51</td>
<td>34.8</td>
</tr>
<tr>
<td>Group III</td>
<td>45</td>
<td>25</td>
<td>55.5</td>
</tr>
<tr>
<td>Group IV</td>
<td>25</td>
<td>12</td>
<td>48.0</td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>18</td>
<td>85.7</td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>155</td>
<td>35.1</td>
</tr>
</tbody>
</table>

Of the 155 school districts answering question 19, "How is the chief insurance adviser compensated?", (1) 5 school corporations or 3.2 per cent answered, "with a fee," (2) while 71 districts or 45.8 per cent reported, "by a larger share of business," and (3) 75 schools or 48.4 per cent of the school districts with an insurance adviser do not compensate for this service.
Table 11. Methods of compensation for chief insurance advisers in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>Methods of Compensation</th>
<th>Group I</th>
<th>Group II</th>
<th>Group III</th>
<th>Group IV</th>
<th>Group V</th>
<th>Total Number</th>
<th>Total Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td>3.2</td>
</tr>
<tr>
<td>Larger share of business</td>
<td>22</td>
<td>26</td>
<td>11</td>
<td>7</td>
<td>5</td>
<td>71</td>
<td>45.8</td>
</tr>
<tr>
<td>No compensation</td>
<td>27</td>
<td>20</td>
<td>11</td>
<td>5</td>
<td>12</td>
<td>75</td>
<td>48.4</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>2.6</td>
</tr>
<tr>
<td>Total of districts with chief ins. adv.</td>
<td>49</td>
<td>51</td>
<td>25</td>
<td>12</td>
<td>18</td>
<td>155</td>
<td></td>
</tr>
</tbody>
</table>

Economies employed to reduce premium costs

There are many legitimate ways by which the cost of insurance can be reduced: (1) use of term insurance; (2) use of coinsurance; (3) correct hazards; (4) use of a package plan (public and institutional property or special multi-peril); or (5) competitive bidding. Some school districts use a combination of these methods to assure lower rates. However, question 72 of the instrument was so worded as to require a value judgment (the prime method) from the respondent. The questionnaire was structured in this manner to try to determine what local school officials considered the most important economy procedure.

As shown in Table 12 the economy measures used were as follows: (1) 42 responding districts or 9.5 per cent reported term insurance; (2) 9 reporting schools or 2.0 per cent marked coinsurance; (3) 14 districts or 3.2 per cent indicated an improvement of rate charge conditions; (4) 226 schools or 51.3 per cent stated that package insurance was used; and (5)
61 districts or 13.8 per cent reported competitive bidding as the most important economy method.

Among those school districts that reported package plan insurance as an economy measure: (1) 160 districts or 36.3 per cent indicated the use of the older public and institutional property form; while (2) 66 school corporations or 15.0 per cent have purchased the new special multi-peril

Table 12. Economies employed to reduce insurance costs in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>Economies Use to Reduce Costs</th>
<th>School Districts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group I</td>
<td>Group II</td>
</tr>
<tr>
<td>Use of three or five year term policies</td>
<td>24</td>
<td>10</td>
</tr>
<tr>
<td>Use of coinsurance</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Improvement of rate-charge conditions</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Use of a PIP insurance policy</td>
<td>56</td>
<td>67</td>
</tr>
<tr>
<td>Use of a multi-peril plan</td>
<td>28</td>
<td>21</td>
</tr>
<tr>
<td>Competitive bidding</td>
<td>26</td>
<td>19</td>
</tr>
<tr>
<td>Other</td>
<td>28</td>
<td>13</td>
</tr>
<tr>
<td>No effort to economize</td>
<td>15</td>
<td>8</td>
</tr>
<tr>
<td>No response</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>201</td>
<td>149</td>
</tr>
</tbody>
</table>
Schaerer (58, p. 100) states that the new public and institutional property plan has resulted in rate reductions of 25 per cent or more. A sampling on the new package accounts indicates that this form will produce a premium which, on the average, is approximately 20 per cent below a combination of policies.

Other replies with regard to economies employed by the responding school districts were: (1) professional appraisers; and (2) use of deductible clauses.

Fire and Extended Coverage Insurance

The basic coverage of fire insurance is for fire and lightning; however, there are numerous endorsements and riders that may be added to the basic policy. The most common of these is the extended coverage endorsement which is attached to most fire policies. This has the effect of extending the coverage of fire and lightning damage to include loss from windstorm, hail, explosion (other than of steam boilers), riot, riot attending a strike, civil commotion, aircraft, vehicles, and smoke (2, p. 30).

Coinsurance

A coinsurance clause is a policy provision which is known by a variety of names, most common of which are: (1) coinsurance, (2) contribution rate, and (3) reduced rate coverage. Under a coinsurance agreement, the insurer grants a reduced rate in return for which the insured agrees to the amount of insurance he will carry to bear part of his own loss as coinsurer.

Coinsurance contracts provide rates in proportion to the percentage
of coverage. The higher the percentage of coverage of insurable value, the lower the rates that are charged. If a district carries coinsurance, it must insure its property at the per cent agreed upon or suffer a coinsurance penalty if a loss occurs. However, in two instances the insured may collect the full amount of the policy even though he is not carrying the proper amount of coverage. These are when the property is a total loss or when it is destroyed to the same or a greater percentage than the per cent of the coinsurance clause.

Except for providing a lower rate on the insurance, the average, or coinsurance clause, is inoperative until a loss occurs. At the time of a loss, the insurance carrier will determine the total value of the property insured and compare this with the amount of insurance carried and the coinsurance percentage (2, p. 33). The method of computing loss recovery of coinsurance was previously discussed in Chapter II.

An obvious way of avoiding the coinsurance penalty discussed above is to insure to the agreed percentage of value. This, of course, requires accurate and current property valuations.

Table 13 shows the analysis of the various rates of coinsurance used by the responding school districts. The data are as follows: (1) 59 districts, or only 13.4 per cent, reported no coinsurance; (2) 208 districts, or 47.2 per cent, used the 90 per cent coinsurance clause; (3) 88 districts, or 20.0 per cent, carried 80 per cent coinsurance. Of interest is the fact that the 90 per cent coinsurance clause is the most popular and is used by almost half of the responding districts. One reason for the greater use of this particular endorsement may be the rapid acceptance of package plans which requires a 90 per cent coinsurance form.
Table 13. Rates of coinsurance in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>Coinsurance Rates In Force</th>
<th>School Districts</th>
<th>Replies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group I</td>
<td>Group II</td>
</tr>
<tr>
<td>No coinsurance</td>
<td>30</td>
<td>18</td>
</tr>
<tr>
<td>90 per cent</td>
<td>76</td>
<td>76</td>
</tr>
<tr>
<td>80 per cent</td>
<td>55</td>
<td>23</td>
</tr>
<tr>
<td>70 per cent</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>19</td>
<td>14</td>
</tr>
<tr>
<td>No response</td>
<td>20</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>201</td>
<td>149</td>
</tr>
</tbody>
</table>

Replacement value coverage

It is recommended that a part of the school district's property be insured on a replacement basis, which is the cost of replacing the structure without an allowance for depreciation (2, p. 39). When insurance is carried on a replacement basis, the insurance payment is based on the actual cost of repairing or replacing the building with like kind and quality.

Many school districts in Iowa now use replacement value coverage, as shown in Table 14. The tabulation of data indicates that: (1) 138 districts, or 68.7 per cent, of the smaller schools (Group I) use this type coverage; and (2) 127 school corporations, or 85.2 per cent in Group II, reported cost replacement insurance. The data for the other classes were: (1) Group III, with 35 districts, or 77.8 per cent; (2) 21 schools or 84.0 in Group IV; and (3) 16 districts, or 76.2 per cent of Group V, gave an affirmative response to this inquiry.
Table 14. Replacement value coverage in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Replacement Coverage Total districts</th>
<th>Replies No. of replies</th>
<th>Per cent replies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>201</td>
<td>138</td>
<td>68.7</td>
</tr>
<tr>
<td>Group II</td>
<td>149</td>
<td>127</td>
<td>85.2</td>
</tr>
<tr>
<td>Group III</td>
<td>45</td>
<td>35</td>
<td>77.8</td>
</tr>
<tr>
<td>Group IV</td>
<td>25</td>
<td>21</td>
<td>84.0</td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>16</td>
<td>76.2</td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>337</td>
<td>76.4</td>
</tr>
</tbody>
</table>

Deductible clauses

If the insured agrees to absorb a given amount of each loss, with the company responsible for the balance, the premium may be significantly reduced. The deductible amount may be anything from $10 to $1,000, or more and the reduction results from the company's savings in the cost of processing a number of small claims (41, p. 92).

Of the responding school corporations, as shown in Table 15, 293 districts, or 65.8 per cent, included some deductible clauses in their fire and extended insurance coverage.

The most frequent deductible amount was $100, with all classes reporting some schools with $1,000 clauses. The lowest deductible checked by Group I schools was $25, Group II and III was $50, while the lowest amount for schools in the two larger groups was $100.

The following data indicate deductible clause endorsements by group classification. The variations by class are: (1) Group I, 54.7 per cent;
(2) Group II, 69.8 per cent; (3) Group III, 86.7 per cent; (4) Group IV, 88.0 per cent; and (5) Group V, 85.7 per cent, with deductible clauses.

Table 15. Deductible clauses in the coverage in Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Districts Reporting</th>
<th>Deductible Clauses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Number with deductibles</td>
</tr>
<tr>
<td>Group I</td>
<td>201</td>
<td>110</td>
</tr>
<tr>
<td>Group II</td>
<td>149</td>
<td>104</td>
</tr>
<tr>
<td>Group III</td>
<td>45</td>
<td>39</td>
</tr>
<tr>
<td>Group IV</td>
<td>25</td>
<td>22</td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>293</td>
</tr>
</tbody>
</table>

Policy term

There is economy in purchasing insurance contracts for a period longer than one year. The rate reductions given for fire insurance are: (1) two-year term, 1.85 times; (2) three-year term, 2.7 times; (3) four-year term, 3.55 times; and (4) five-year term, 4.4 times the annual rate (2, p. 31).

The various periods for which fire insurance policies were written in the responding school districts are indicated in Table 16. Of the 437 districts which responded to this question, 241 schools, or 64.6 per cent, had either a three or five-year annual payment plan. However, 99 districts, or 22.4 per cent, still used a one-year policy term. It is interesting to note that 80.9 per cent of Group V utilized either a three or five-year payment plan.
Table 16. Periods of fire and extended coverage insurance policies in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>Periods of Policies</th>
<th>Group I</th>
<th>Group II</th>
<th>Group III</th>
<th>Group IV</th>
<th>Group V</th>
<th>Total Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>48</td>
<td>35</td>
<td>9</td>
<td>4</td>
<td>3</td>
<td>99</td>
<td>22.4</td>
</tr>
<tr>
<td>3 year prepaid</td>
<td>2</td>
<td>4</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>9</td>
<td>2.0</td>
</tr>
<tr>
<td>3 year annual</td>
<td>22</td>
<td>21</td>
<td>11</td>
<td>4</td>
<td>6</td>
<td>64</td>
<td>14.5</td>
</tr>
<tr>
<td>payment plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 year prepaid</td>
<td>8</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>1</td>
<td>23</td>
<td>5.2</td>
</tr>
<tr>
<td>5 year annual</td>
<td>80</td>
<td>62</td>
<td>17</td>
<td>9</td>
<td>9</td>
<td>177</td>
<td>40.1</td>
</tr>
<tr>
<td>payment plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>37</td>
<td>23</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>65</td>
<td>14.7</td>
</tr>
<tr>
<td>No response</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>.9</td>
</tr>
<tr>
<td>No. of districts</td>
<td>201</td>
<td>149</td>
<td>45</td>
<td>25</td>
<td>21</td>
<td>441</td>
<td></td>
</tr>
</tbody>
</table>

Term policies result in a savings. Policies do not expire as frequently and less clerical time is required of the insurance company, thus the premium can be reduced.

Some authorities recommend that all school districts consider either a five-year prepaid or budget plan (54, p. 24). However, there is a trend at the present time for insurance carriers to be reluctant to write package insurance plans for a period longer than three years.

Vandalism and malicious mischief insurance

In regard to vandalism and malicious mischief coverage, Linn and Joyner (43, p. 58) recommend that all school officials consider carefully this type of coverage since the cost is not excessive.
This type of coverage extends the protection to cover willful physical injury or destruction to property not including glass breakage. Allen (2, p. 30) says that in considering the purchase of this type of insurance, the administrator must determine whether a proper insurable situation exists and if the premium costs are warranted. If it is determined that vandalism losses could be high and could result in an expense of a catastrophic nature, then insurance coverage is probably warranted. In such a case, deductible coverage should be considered in order to reduce the premium cost by eliminating the expense of handling small claims. Vandalism and malicious mischief insurance coverage in the Iowa public high school districts by group classification is considered in Table 17.

Table 17. Vandalism and malicious mischief insurance coverage in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Reporting Districts</th>
<th>Vandalism and Malicious Mischief</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No. with V.M.M. coverage</td>
</tr>
<tr>
<td>Group I</td>
<td>201</td>
<td>172</td>
</tr>
<tr>
<td>Group II</td>
<td>149</td>
<td>130</td>
</tr>
<tr>
<td>Group III</td>
<td>45</td>
<td>44</td>
</tr>
<tr>
<td>Group IV</td>
<td>25</td>
<td>24</td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>387</td>
</tr>
</tbody>
</table>

In the 1960 study by Simpson (62, p. 98), 153 districts, or 27.1 per cent of the 560 respondents, reported carrying this insurance. The current research shows 387 districts with vandalism and malicious mischief
coverage, or 87.8 per cent of the 441 reporting schools. It is interesting to note that the lowest percentage group was Group V, with 17 districts, or 81.0 that carried this type of coverage. The reporting school officials in Group III and IV marked the highest percentages with 97.8 and 96.0 respectively.

Types of fire and extended coverage insurance policies

The fire insurance coverage on a school structure may be written as specific or blanket. It is becoming more common to write a blanket policy for school fire insurance that covers buildings and contents at more than one location.

The advantages of blanket coverage are: (1) all property designated in the blanket form are covered; (2) property may be moved from one location to another; (3) a single-weighted-average rate applies; (4) administration of fire-insurance program is simplified; (5) loss adjustment is easier and there is less probability of a coinsurance penalty; and (6) new construction is covered automatically (2, p. 40).

Under a blanket policy, all of the property in a district is considered as an entity, and the total loss of a particular structure represents only a partial loss of the property covered by the insurance agreement. On this basis, 90 per cent coinsurance coverage in a district with buildings at more than one location protects the district up to 100 per cent of the insurable value at any one location (2, p. 40).

A specific coverage form applies where an individual contract is written for each distinct plant. An example is a school plant which is located on a particular street at a specific street address. An individual
policy is written with a specific amount of insurance applying on the building and/or its contents. If both are covered on one policy, the specific amounts of insurance carried on buildings and on contents are listed separately (53, p. 356).

The types of fire and extended coverage insurance policies are considered in Table 18. Of the 441 districts reporting, 294 schools, or 66.7 per cent, indicated the use of blanket building and contents insurance. While 143 school corporations, or 32.4 per cent of the schools, reported the utilization of specific schedule building and contents insurance coverage.

Table 18. Types of fire and extended coverage insurance policies in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>Types of Policies</th>
<th>Group I</th>
<th>Group II</th>
<th>Group III</th>
<th>Group IV</th>
<th>Group V</th>
<th>Total</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blanket building and contents</td>
<td>129</td>
<td>101</td>
<td>34</td>
<td>17</td>
<td>13</td>
<td>294</td>
<td>66.7</td>
</tr>
<tr>
<td>Specific schedule bldg. and contents</td>
<td>70</td>
<td>47</td>
<td>11</td>
<td>8</td>
<td>7</td>
<td>143</td>
<td>32.4</td>
</tr>
<tr>
<td>No response</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>4</td>
<td>.9</td>
</tr>
<tr>
<td>Reporting districts</td>
<td>201</td>
<td>149</td>
<td>45</td>
<td>25</td>
<td>21</td>
<td>441</td>
<td></td>
</tr>
</tbody>
</table>

Fire insurance loss ratio

The definition of the item, loss ratio, is the ratio of loss to premiums (32, p. 12). One reason that a few states have established states systems for insuring school buildings is the low loss ratio of school property insurance. A study by Viles (69, p. 8) showed that Alabama, North
Dakota, and South Carolina have provided state insurance for school buildings for many years at rates which have been 40 per cent less than commercial rates and that state insurance fund reserves have been increasing in those states. North Carolina has provided state insurance at 46 per cent less than commercial rates and Wisconsin at 50 per cent less.

The Association of School Business Officials of the United States and Canada made a study of the ratio of recoveries from school building fire insurance to premiums paid for the 1935 to 1945 period. The Association reported that only 32 per cent of each premium dollar was returned to boards of education for fire losses (36, p. 522).

Viles (69, p. 8) reported that during the five-year-period (1948-1952) the losses paid by stock and mutual companies insuring school buildings amounted to only 35.3 per cent of premiums received. For the same period, Viles' (69, p. 9) study showed only a 10.2 per cent loss ratio for Iowa.

Simpson's (62, p. 206) study showed that of the 560 responding school districts the fire insurance ratio of premiums paid over the five-year period (1953-1958) was 42.4 per cent, with a high of 81.7 per cent in Group III and a low of 20.3 per cent in Group IV. The following tabulations in Table 19 provides summaries of the Iowa public high school fire insurance costs and losses paid for the five-year period 1960-1965.

The limits of fire, extended coverage and vandalism and malicious mischief coverage by groups as reported were: (1) Group I, $55,000,000 for an average of approximately $685,000 per school corporation; (2) Group II, $69,000,000 or a mean of $1,090,000 per school district; (3) Group III, $57,000,000 or $2,190,000 per district; (4) Group IV, $33,000,000 for an
Table 19. Fire insurance coverages, costs, losses, and loss ratios in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Limits in Force</th>
<th>Premiums Paid</th>
<th>Losses</th>
<th>Per cent Loss Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Premiums Paid</td>
<td></td>
<td>Claims Collected</td>
<td>Number of claims</td>
</tr>
<tr>
<td>Group I</td>
<td>$55,273,722</td>
<td>$367,835</td>
<td>$202,366</td>
<td>312</td>
</tr>
<tr>
<td>Group II</td>
<td>68,636,270</td>
<td>461,008</td>
<td>151,942</td>
<td>272</td>
</tr>
<tr>
<td>Group III</td>
<td>57,424,695</td>
<td>360,490</td>
<td>79,893</td>
<td>134</td>
</tr>
<tr>
<td>Group IV</td>
<td>32,846,116</td>
<td>203,888</td>
<td>97,520</td>
<td>49</td>
</tr>
<tr>
<td>Group V</td>
<td>215,035,235</td>
<td>454,620</td>
<td>149,643</td>
<td>150</td>
</tr>
<tr>
<td>Total</td>
<td>429,216,038</td>
<td>1,847,841</td>
<td>681,364</td>
<td>917</td>
</tr>
</tbody>
</table>
average of approximately $2,750,000 per school unit; and (5) Group V, $215,000,000 in insurance coverage or $12,600,000 average per school corporation. There was a total of $429,000,000 of fire, extended coverage and vandalism and malicious mischief insurance coverage in force in Iowa as of June 30, 1965.

The number of replies for this section of the study are fewer than for the research as a whole. The reason the responses from only 198 districts were used was that data from other instruments were incomplete or in a form rendering them useless.

During the five-year period of this study, $1,847,841 was paid in premiums for this type coverage. The losses for the 1960-1965 period were $681,364 on 917 claims. The total loss ratio for the entire state was 36.9 per cent.

The highest loss ratio was in Group I with a 55.0 per cent return and the lowest was in Group V with a 32.9 per cent loss ratio reported. The average claim for the five-year period was $743, and Group IV reported the highest average loss which was $1,990.

**Sound insurance value**

The amount of fire insurance coverage bought by school corporations is determined by the insurable value of the district's property. There are three major types of values that should be considered when purchasing insurance on real property. The various values (2, p. 22) are discussed below. Replacement value represents the cost of replacing the building with one similar in kind and quality considering current construction costs. Sound value represents the replacement value less accrued
depreciation. The third type of value is the insurable value, which is the sound value less those items that are normally excluded from fire coverage such as foundations, walks, and certain underground utilities.

The determination of sound value follows a well-established pattern; and that is, property is depreciated on an annual schedule because of age, condition, or obsolescence. Real-property depreciation varies according to the longevity or useful life of the building, longevity being directly related to the type and quality of construction (2, p. 23). A depreciation schedule will also be influenced by the type of maintenance received. If not properly maintained, a school structure will depreciate more rapidly thus shortening its useful life.

Sound value is the primary basis for insurance because it represents the actual worth of the building. It was for this reason that data regarding sound value were requested in question 34 of the instrument and the replies were tabulated and recorded in Table 20.

There were 404 replies to this question. Apparently, some school officials omitted it because they did not understand the meaning of the term, sound value. However, a definition was included as a part of the inquiry. Group V was the only classification with a 100 per cent response.

The total sound value reported by the 404 respondents was $753,050,615 for an average per school district of $1,863,986. The data by group classification were: (1) Group I, $119,755,486 or $657,997 per reporting school district; (2) Group II, $154,866,806 for a mean of $1,147,162 per local education unit; (3) Group III, $88,394,886 for an average of $2,104,640 per school corporation; (4) Group IV, $75,202,924 or $3,133,456 per school district; and (5) Group V reported $314,830,513 or almost
Table 20. Sound value of all buildings in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Number of Replies</th>
<th>Total Sound Value</th>
<th>Average Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>182</td>
<td>119,755,486</td>
<td>657,997</td>
</tr>
<tr>
<td>Group II</td>
<td>135</td>
<td>154,866,806</td>
<td>1,147,162</td>
</tr>
<tr>
<td>Group III</td>
<td>42</td>
<td>88,394,886</td>
<td>2,104,640</td>
</tr>
<tr>
<td>Group IV</td>
<td>24</td>
<td>75,202,924</td>
<td>3,133,456</td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>314,830,513</td>
<td>14,991,929</td>
</tr>
<tr>
<td>Total</td>
<td>404</td>
<td>753,050,615</td>
<td>1,863,986</td>
</tr>
</tbody>
</table>

$15,000,000 worth of real property per school district. It is interesting to note that the 21 largest schools in Group V own 43.2 per cent of all real property reported by this study.

Contents insurance

The basis for the valuation of all contents is an inventory showing the quantity and cost of all articles as well as present estimated value. The ideal system is a perpetual inventory with periodic adjustments for fluctuations of valuations and depreciations (43, p. 87).

One method commonly used to keep records up-to-date is a physical inventory by each department every year. A list is turned into the central office on which each item is listed with the current value.

Linn and Joyner (43, p. 87) point out that when fire insurance schedules are arranged, all items possible should be included as part of the building since structure rates are lower than contents rates. Many pieces of permanently fixed equipment that might ordinarily be considered as
contents may legally be included as part of the building thus providing the advantage of a lower insurance rate.

It should also be mentioned that to prove the value of a loss the district must normally submit a detailed inventory of all property involved (41, p. 113). Proof-of-loss will be extremely difficult unless a detailed and exact inventory has been continuously maintained. In case of a loss, a settlement may be delayed until a satisfactory proof-of-loss is filed. This explains the necessity of accurate, up-to-date inventories on all contents.

According to Levensohn (41, p. 113), in an appalling number of fires the inventories had been kept in ordinary file folders, with no duplicate copies in bank vaults or elsewhere, and were consumed in the fire. An administrator who is charged with the insurance program should take care to safeguard the inventories and records from loss. This can be accomplished by making duplicate copies and filing them in more than one location or by placing them in a fire-proof vault or bank vault.

The question regarding current contents insurance was answered by 369 respondents and the amounts by group classifications are listed in Table 21.

The 369 responding districts indicated $74,054,259 worth of contents insurance was being carried on school equipment. This is an average of $200,689 per school corporation. The smaller school districts in Group I with 170 respondents report $16,003,941 of contents insurance for an average of $94,141. There were 17 replies in Group V for a total of $18,913,993 or a mean of $1,112,588. The other responses to this inquiry were: (1) Group II, 128 schools reporting $22,134,840 of coverage for an
Table 21. Contents insurance in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Replies to this Question</th>
<th>Contents Insurance</th>
<th>Average Contents Ins.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>170</td>
<td>16,003,941</td>
<td>94,141</td>
</tr>
<tr>
<td>Group II</td>
<td>128</td>
<td>22,134,840</td>
<td>172,928</td>
</tr>
<tr>
<td>Group III</td>
<td>33</td>
<td>9,406,156</td>
<td>285,035</td>
</tr>
<tr>
<td>Group IV</td>
<td>21</td>
<td>7,595,329</td>
<td>361,682</td>
</tr>
<tr>
<td>Group V</td>
<td>17</td>
<td>18,913,993</td>
<td>1,112,588</td>
</tr>
<tr>
<td>Total</td>
<td>369</td>
<td>74,054,259</td>
<td>200,689</td>
</tr>
</tbody>
</table>

average of $172,928 per district; (2) Group III, with $9,406,156 being recorded for 33 school corporations for a mean of $285,035 per school unit; and (3) Group IV, with 21 reporting districts carrying $7,595,329 in contents insurance coverage, or a mean of $361,382 per school district.

Types of insurance contracts

Insurance is currently available to cover almost any risk. At the present time, the new package policies, under which a large number of liability and property risks can be covered, are becoming very popular.

Until recently many schools carried a number of policies spread among several agents representing many insurance carriers. Some school districts still have the insurance program written under several policies; however, this method of insuring is fast becoming outmoded.

In 1961, insurance companies recognized the need to modernize public insurance coverage, and introduced the public and institutional property (PIP) form of policy whereby school insurance premiums were reduced 25 per
cent on fire coverage and 50 per cent on extended coverage insurance (58, p. 64). There are certain required procedures which are mandatory when this form is used; however, the savings possible make it worth the effort. The requirements of the public and institutional property contract are: (1) a coinsurance clause of no less than 90 per cent; (2) property must be inspected quarterly; and (3) property values must be adjusted annually (8, p. 78).

In 1964, another breakthrough came when the special multi-peril policy (package insurance) was made available to schools, thereby providing an additional savings (58, p. 64). Most of the essential coverages are packaged by this new insurance with one premium under one policy written by one agent with one company.

It is possible for insurance companies to write package policies at lower rates because the handling of all risks by one company means more business for the carrier and makes the school district a more valuable client (58, p. 64). When one policy is written, there is only one agent's fee to pay, the cost of the paper work is reduced and there is also a savings in other administrative costs. A surprisingly large number of Iowa school corporations have shifted to a package plan as is shown in Table 22.

There were 429 schools that responded to this question regarding the types of insurance contracts carried.

There were 249 districts or 56.5 per cent who reported the use of public and institutional property contracts and 73 school corporations or 16.6 per cent that were utilizing the newer package coverage, the special multi-peril form.
<table>
<thead>
<tr>
<th>Insurance Contracts</th>
<th>School Districts</th>
<th>Replies</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group I</td>
<td>Group II</td>
<td>Group III</td>
<td>Group IV</td>
<td>Group V</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>Per cent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public and institutional property plan</td>
<td>96</td>
<td>88</td>
<td>34</td>
<td>19</td>
<td>12</td>
<td>249</td>
</tr>
<tr>
<td>Special multi-peril policy</td>
<td>30</td>
<td>24</td>
<td>7</td>
<td>4</td>
<td>8</td>
<td>73</td>
</tr>
<tr>
<td>Individual policies</td>
<td>58</td>
<td>30</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>92</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>No response</td>
<td>10</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Number of replies</td>
<td>201</td>
<td>149</td>
<td>45</td>
<td>25</td>
<td>21</td>
<td>441</td>
</tr>
</tbody>
</table>

It is interesting to note that 73.1 per cent of the reporting districts were using some types of package insurance contract. Only 92 school units or 20.9 per cent of the responding districts still use individual policies.

**General Liability Insurance**

General liability insurance covers accidents occurring on the premises or the liability of school employees resulting from negligence on the part of school employees while such persons are acting within the scope of their employment.

**Governmental liability**

There has been a great deal of confusion regarding whether or not a school district should carry general liability insurance. Many school
administrators have felt that governmental immunity made the purchasing of general liability a waste of money. A few school officials believe that the buying of this type of insurance might make the school district liable, and have recommended that general liability insurance not be purchased.

The attitude toward tort liability has undergone considerable change in recent years. The trend of court rulings has been to increase gradually the liability of boards of education (36, p. 516). Before 1900 the largest judgment awarded was $25,000; but by 1929, the maximum had risen to $75,000; and by 1945, this amount had doubled and today, there seems to be no limit (23, p. 83). Garber states (22, p. 45):

In general, the courts follow the rule that a school district is not liable in damages for injuries resulting from the negligence of its officers, agents, and employees in the absence of a statute making it liable.

There are several Iowa Attorney Generals' Opinions regarding school liability. The following is an example (33):

A school corporation is not liable for injury to life and limb occasioned by the explosion of a steam boiler connected with its heating plant.

Such opinions serve as guides in the administration of school districts; however, they might not prove valid in an actual court case. At the present time, governmental immunity still is considered valid in the State of Iowa.

Some states have either directly or indirectly by state legislation, or by court decisions, completely waived or partially waived their governmental immunity of school districts. New York, California, Hawaii, Illinois, Wisconsin, Minnesota, New Jersey, and Connecticut have waived their governmental immunity by save-harmless statutes, and Washington
created limited liability by statute; while Alabama, Arkansas, and West Virginia have vigorously maintained governmental immunity. The remaining thirty-eight states still maintain immunity but permit the purchase of liability insurance (56, p. 5). Kentucky, Oregon, and Tennessee have had court rulings which deviated from the general immunity rule and state that the purchase of insurance waives the governmental immunity of the school district up to the face amount of the insurance, but above the face amount of the insurance the district is immune (56, p. 6).

Some educators believe that the board of education has a moral responsibility to provide protection to others (particularly children) from losses caused by the negligent acts of the board's employees. Schaerer (56, p. 6) states that there are three reasons for carrying liability insurance: (1) compensation to the injured party; (2) protection of school personnel or the school district against catastrophic judgments; and (3) public relations purposes.

In several states the courts have acted when the legislature neglects or refuses to correct legal inequities. Such was the case in Minnesota in 1962, when the state supreme court declared that school districts would henceforth be held liable for negligence (49, p. 12).

Utilization of general liability insurance

In recent years, there has been an increase in the number of Iowa schools which carry general liability coverage. The expanded programs of today put students into a variety of activities in which injuries are likely to occur (6, p. 100). The Iowa State Education Association is providing a measure of protection to the teachers by offering limited
liability insurance for their members.

In 1958, Simpson (62, p. 123) reported that 33.5 per cent of the school districts carried general liability insurance. The data indicated by the school corporations in the present study are recorded in Table 23.

Table 23. General liability insurance in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Number of Replies</th>
<th>Number of Districts Carrying General Liability</th>
<th>Per cent with Gen. Liab.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>201</td>
<td>148</td>
<td>73.6</td>
</tr>
<tr>
<td>Group II</td>
<td>149</td>
<td>108</td>
<td>72.5</td>
</tr>
<tr>
<td>Group III</td>
<td>45</td>
<td>36</td>
<td>80.0</td>
</tr>
<tr>
<td>Group IV</td>
<td>25</td>
<td>18</td>
<td>72.0</td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>14</td>
<td>66.7</td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>325</td>
<td>73.5</td>
</tr>
</tbody>
</table>

Of the 441 school districts responding to this inquiry, 324 school corporations, or 73.5 per cent, were carrying general liability insurance. The medium-sized district, or those in Group III, most often purchased general liability coverage. There were 36 districts, or 80.0 per cent of the responding schools in this class that answered this question in the affirmative. Surprisingly, the larger schools or those in Group V had the lowest percentage. Only 14 school units, or 66.0 per cent, were carrying insurance as of June 30, 1966.

The per cent of the reporting districts, by the other group classifications, that carried general liability coverage was 73.6, 75.5, and 72.0
for Group I, Group II and Group III respectively.

It has generally been the opinion of many school administrators that an insurance carrier should waive the right of defense by governmental immunity in case of a claim. However, some schools permit the insurance company to use the immunity defense, if it desires. If the insurance carrier is not required to waive immunity, the premium for this type of insurance can be greatly reduced. Smith\(^1\) stated the Ottumwa general liability insurance premium was reduced 80 per cent when the waiver of governmental immunity clause was omitted from the insurance form. The status of the governmental immunity clause in Iowa schools is reported in Table 24.

There were 298 school districts, or 34.6 per cent of the reporting districts that included a waiver of governmental immunity defense clause in the general liability insurance contract.

Group IV school districts had the highest "yes" response to this question with eight school corporations, or 50.0 per cent of the responding schools marking the inclusion of such a clause, while Group III schools had the lowest affirmative reply with only nine of 31 districts, or 29.3 per cent checked "yes" to this inquiry.

In the opinion of the researcher, there may have been a misunderstanding regarding this inquiry. This assumption is based on discussions with several school administrators in which they indicate the inclusion of a waiver clause. In fact, several school officials have discussed this

---

\(^1\)Smith, Leighton P., School Board Secretary, Ottumwa, Iowa. Interview. Private communication. February 16, 1965.
Table 24. Status, waiver of governmental immunity defense clauses in general liability insurance in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>General Liability Ins. No. dist.</th>
<th>No. of replies</th>
<th>Number with waiver clause</th>
<th>Per cent with waiver cl.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>148</td>
<td>135</td>
<td>48</td>
<td>35.6</td>
</tr>
<tr>
<td>Group II</td>
<td>108</td>
<td>102</td>
<td>33</td>
<td>32.4</td>
</tr>
<tr>
<td>Group III</td>
<td>36</td>
<td>31</td>
<td>9</td>
<td>29.3</td>
</tr>
<tr>
<td>Group IV</td>
<td>18</td>
<td>16</td>
<td>8</td>
<td>50.0</td>
</tr>
<tr>
<td>Group V</td>
<td>14</td>
<td>14</td>
<td>5</td>
<td>35.7</td>
</tr>
<tr>
<td>Total</td>
<td>324</td>
<td>298</td>
<td>103</td>
<td>34.6</td>
</tr>
</tbody>
</table>

matter with the investigator, and only Mr. Smith of the Ottumwa District stated that they had removed this standard clause from the general liability form. Yet, only 34.6 per cent responded in the affirmative to this question.

Liability loss ratio

The comprehensive general liability insurance contract is looked upon by many school insurance authorities as the best liability coverage that is available to school districts (20, p. 40). This type of insurance covers accidents occurring on the premises or the liability of school employees resulting from negligence on their part while acting within the scope of their employment (36, p. 517). Traditionally, school districts have been immune to tort under the common-law assumption that the state can do no wrong. This immunity still exists in Iowa; however, the trend in recent years in other states has caused many Iowa school officials to
recommend the purchase of this coverage. The data recorded in Table 23 indicated that 73.5 per cent of the Iowa districts are presently carrying general liability insurance.

The general liability insurance costs, losses, and loss ratios in the Iowa public high school districts during the five-year study (1960-1965) reflect the fact that immunity still exists in Iowa. There was a low loss ratio reported by the responding districts as recorded in Table 25.

Table 25. General liability insurance costs, losses, and loss ratios in the Iowa public high school districts from July 1, 1960 to June 30, 1965 by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>No. of Rep.</th>
<th>Costs of Premiums Paid</th>
<th>Losses Collected</th>
<th>Losses No. of Claims</th>
<th>Losses Per Cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>19</td>
<td>20,695</td>
<td>6,989</td>
<td>50</td>
<td>33.8</td>
</tr>
<tr>
<td>Group II</td>
<td>20</td>
<td>47,467</td>
<td>7,932</td>
<td>79</td>
<td>16.7</td>
</tr>
<tr>
<td>Group III</td>
<td>9</td>
<td>18,101</td>
<td>3,941</td>
<td>26</td>
<td>21.8</td>
</tr>
<tr>
<td>Group IV</td>
<td>3</td>
<td>6,381</td>
<td>2,454</td>
<td>3</td>
<td>38.5</td>
</tr>
<tr>
<td>Group V</td>
<td>6</td>
<td>64,796</td>
<td>9,997</td>
<td>33</td>
<td>15.4</td>
</tr>
<tr>
<td>Total</td>
<td>57</td>
<td>157,440</td>
<td>31,313</td>
<td>191</td>
<td>19.9</td>
</tr>
</tbody>
</table>

The loss-ratio for general liability for all responding districts was 19.9 per cent for 191 claims. The average loss per claim was $164. Group IV reported a return of 38.5 per cent of premiums paid to claimants, and this was the highest ratio for all classes. Group V recorded the lowest return for the premiums paid, and this was 15.4 per cent. It is
interesting to note that Group IV with the highest loss ratio indicated the fewest number of claims.

Pupil insurance

School districts are not liable for injuries sustained by pupils during attendance at school, unless permissive legislation provides otherwise. However, very few accidents are due to negligence on the part of school personnel. Many accidents are caused by the carelessness of the students, sometimes their own, and still other accidents are apparently unavoidable. Some school officials feel a moral responsibility for the care of any student injured on school property regardless of the cause. Therefore, a type of insurance to care for such possible injuries was developed and has been common to most Iowa schools for many years.

In Iowa, pupil accident insurance is offered on a voluntary basis. Parents receive an application form and if they desire the coverage, they return the form accompanied with the premium payment, to school. According to Simpson (62) in his study completed in 1958, pupil accident insurance appears to be well accepted among Iowa schools since approximately 95 per cent of the respondents had such insurance in operation. The data reported in the present study are recorded in Table 26.

Of the 423 school districts replying to question 34 regarding pupil insurance availability to students, 415 school corporations, or 98.1 per cent, stated that they had such coverage.

Group III reported the highest availability of pupil insurance with all 42 responding schools answering in the affirmative for a 100.0 per cent response. The schools in Group V recorded the lowest percentage with
Table 26. Pupil insurance in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Number of Replies</th>
<th>No. with Pupil Insurance</th>
<th>Per Cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>189</td>
<td>186</td>
<td>98.4</td>
</tr>
<tr>
<td>Group II</td>
<td>146</td>
<td>144</td>
<td>98.6</td>
</tr>
<tr>
<td>Group III</td>
<td>42</td>
<td>42</td>
<td>100.0</td>
</tr>
<tr>
<td>Group IV</td>
<td>25</td>
<td>24</td>
<td>96.0</td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>19</td>
<td>90.5</td>
</tr>
<tr>
<td>Total</td>
<td>423</td>
<td>415</td>
<td>98.1</td>
</tr>
</tbody>
</table>

19 districts, or only 90.5 per cent, making pupil insurance available to students.

Fidelity Bonds

In this country, fidelity insurance made its appearance in 1853 when the New York legislature passed legislation authorizing the establishment of fidelity insurance. However, twenty-two years elapsed before the first company was formed (43, p. 299).

Iowa law requires that both the treasurer and secretary to the board file surety bonds. The public official bond is the type of fidelity bond required by Iowa law. The Iowa Code states:

The secretary and treasurer shall each give bond to the school corporation . . . , which bond shall be filed with the president, conditioned for the faithful performance of his official duties, but in no case less than five hundred dollars . . . (35, ch. 291.2).

. . . the reasonable cost of such bond may be paid by the school corporation (35, ch. 291.3).
Types of fidelity coverages

The types of fidelity bonds pertinent to school insurance programs are defined as follows:

(1) Individual bonds written on individuals;
(2) Name schedule bond written on two or more individuals;
(3) Position schedule bond written to cover individuals which occupy certain positions;
(4) Commercial blanket bonds written on all employees with a specific amount covering any loss regardless of the number involved;
(5) Blanket position bond written on all employees with a specific amount on each person involved in any loss.

Blanket bonds are recommended by many insurance experts. The advantages of blanket bonds are: (1) all school district employees are covered; (2) all persons are covered automatically without notifying the company as soon as they are employed; and (3) the premium remains stable during the term of the policy (43, p. 310). The data in Table 27 indicates the type of fidelity bond coverage carried by the Iowa public high school districts.

Because all schools are required by law to carry individual bond coverage on the secretary and treasurer, the question was structured to exclude these types of bonds and to identify only the fidelity bond coverage carried on other school corporation employees.

All 441 school districts replied to this inquiry, and the tabulated data are shown in Table 27.

Of the 50 districts carrying only the individual fidelity bond

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Table 27. Type of fidelity bond coverage in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>Fidelity Bond Coverage</th>
<th>School Districts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group I</td>
</tr>
<tr>
<td>Individual</td>
<td>29</td>
</tr>
<tr>
<td>Name schedule</td>
<td>3</td>
</tr>
<tr>
<td>Position schedule</td>
<td>8</td>
</tr>
<tr>
<td>Comm. blanket</td>
<td>44</td>
</tr>
<tr>
<td>Blanket position</td>
<td>93</td>
</tr>
<tr>
<td>Other</td>
<td>24</td>
</tr>
<tr>
<td>Total</td>
<td>201</td>
</tr>
</tbody>
</table>

Fidelity, 29, or 58 per cent, were from Group I. For all classes only 11.3 per cent still carried this type of coverage. There were 92 districts or 20.8 per cent which indicated that a commercial blanket type contract was utilized while 213 school corporations, or 48.3 per cent, reported blanket position fidelity coverage. There were 305 or 69.1 per cent, which reported the use of either commercial blanket or blanket position bonds. The above data would appear to indicate that a majority of the Iowa public high school districts are presently carrying the recommended type of fidelity coverage.

Fidelity insurance loss ratio

It appears that the fidelity bonding business on Iowa school district employees is a profitable enterprise. However, the operating expenses are high since a single loss may require that substantial sums be expended to
investigate and trace people who have been dishonest. Simpson (62) reported in his study a loss ratio of only 1.1 per cent for all classifications of Iowa high schools. The present loss ratio is still low as was reported by the 441 districts taking part in this study. The tabulated data on fidelity bond loss ratios are included in Table 28.

Table 28. Fidelity bonds costs, losses and loss ratios in the Iowa public high school districts from July 1, 1960 to June 30, 1965 by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Number</th>
<th>Premiums</th>
<th>Losses Claims</th>
<th>Number</th>
<th>Per cent Loss Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>201</td>
<td>$48,880</td>
<td>$10</td>
<td>1</td>
<td>Negligible</td>
</tr>
<tr>
<td>Group II</td>
<td>149</td>
<td>93,923</td>
<td>0</td>
<td>0</td>
<td>None</td>
</tr>
<tr>
<td>Group III</td>
<td>45</td>
<td>19,781</td>
<td>2,759</td>
<td>1</td>
<td>13.9</td>
</tr>
<tr>
<td>Group IV</td>
<td>25</td>
<td>21,986</td>
<td>233</td>
<td>2</td>
<td>1.1</td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>15,093</td>
<td>2,513</td>
<td>2</td>
<td>16.7</td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>199,663</td>
<td>5,515</td>
<td>6</td>
<td>2.8</td>
</tr>
</tbody>
</table>

The 201 responding districts in Group I reported a single loss with only one claim for $10 while they paid out $48,880 in premiums for the five-year period. The loss ratio is still lower in Group II which paid almost $94,000 in premiums for this period and did not report any loss.

There was a total of approximately $200,000 paid in premiums during the five year period by all classes and a return of only $5,515 in claims for a loss ratio percentage of only 2.8 per cent.
Boiler Insurance

Boiler insurance coverage is an accepted type of insurance coverage. Allen (2, p. 86) states that boiler and machinery insurance has been written in the United States for almost a hundred years and through the inspection services provided, it has resulted in increased safety in the operation of types of machinery and pressure vessels.

This type of coverage was developed to provide protection against losses resulting from the explosion or rupture of pressure-type vessels. Boiler and machinery insurance is based on the premise that accidents involving this type of equipment can be prevented by proper engineering and inspection services so that expected losses may be stabilized to a point at which a sound insurance plan at reasonable rates is possible (2, p. 86).

Boiler insurance is offered in limited and broad form coverage. Allen (2, p. 87) explains the differences as follows:

Under limited protection, coverage of the pressure equipment is provided for the sudden and accidental tearing asunder of the object or any part of it. The broad form covers, in addition, the bulging, burning, or cracking of a cast-metal part.

The purchaser of boiler insurance has the protection against the perils afforded by the policy and also the benefit of inspection services rendered by the insurance company. After each inspection, a report is submitted to the insured which incorporates the recommendations for improvements (1, p. 177). The insurance company has the right, under the provisions of the policy, to make an inspection at any time and may suspend a district's coverage if a board fails to correct a dangerous condition (36, p. 514).

Many of the present boiler forms include an automatic coverage clause.
under which any object installed will be considered as added to the policy as of the time the object is first placed in operation by the insured (1, p. 181). Ackerman (1, p. 181) says that the automatic coverage is subject to the following conditions: (1) the insured must notify the company in writing within ninety days; and (2) the insured must agree to pay an adjusted premium to cover the insurance on the object.

The carriers are eager to assist with boiler matters concerning the installation and maintenance of boilers or machinery, and their assistance should be requested when new equipment is purchased and installed. The experience of these highly qualified inspectors is invaluable, and their services have been found to be of considerable importance where faulty equipment has been received or improperly installed (2, p. 88).

A recent development in the coverage of boilers and other pressure vessels is the new supplementary coverage. Allen (2, p. 88) states that the supplementary coverage is available under a public and institutional property program. Coverage includes certain extra costs for temporary repairs or for expediting repairs to the insured property in addition to affording coverage against direct damage.

**Types of boiler coverage**

It is a generally accepted assumption that the broad form of coverage provides more for the premium dollar. Therefore, the inquiry on the questionnaire was structured to determine the type of boiler insurance carried by Iowa public high school districts. The data regarding this matter may be examined in Table 29.

The question regarding the type of boiler insurance carried by Iowa
Table 29. Type boiler insurance in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Total Districts</th>
<th>Non-Resp. Dists.</th>
<th>Broad Form</th>
<th>Limited Form</th>
<th>Per Cent Broad Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>201</td>
<td>26</td>
<td>175</td>
<td>152</td>
<td>23</td>
</tr>
<tr>
<td>Group II</td>
<td>149</td>
<td>8</td>
<td>141</td>
<td>133</td>
<td>8</td>
</tr>
<tr>
<td>Group III</td>
<td>45</td>
<td>0</td>
<td>45</td>
<td>43</td>
<td>2</td>
</tr>
<tr>
<td>Group IV</td>
<td>25</td>
<td>1</td>
<td>24</td>
<td>23</td>
<td>1</td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>0</td>
<td>21</td>
<td>19</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>35</td>
<td>406</td>
<td>370</td>
<td>36</td>
</tr>
</tbody>
</table>

public high school districts was answered by 406 of the 441 responding school corporations. Of all replying schools 370, or 91.1 per cent, reported the use of the broad coverage form. Group IV districts had the highest percentage of this type contract with 95.8 per cent. The smaller schools or those in Group I had 152 districts, or 86.9 per cent responding in the affirmative. It is of interest that the next lowest class with the broad form coverage was Group V, the largest classification, with a 90.5 per cent utilization. Simpson (62, p. 184) reported that 76.3 per cent of the districts carried the coverage in 1958 which is approximately 15 per cent lower than the present study indicated. This would appear to be a decided improvement over the previous insurance practices reported by the first five-year study.

Boiler insurance loss ratio

Table 30, which follows, contains the reported data regarding boiler insurance costs, losses, and loss ratios in the Iowa public high school
districts by group classification for the five-year period from July 1, 1960 to June 30, 1965. Although the loss ratio may appear low, one must remember that a portion of the boiler insurance premiums were used for the inspection of the boilers by trained engineers.

Table 30. Boiler insurance costs, losses, and loss ratios in the Iowa public high school districts from July 1, 1960 to June 30, 1965 by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Limits in Force</th>
<th>Number of Replies</th>
<th>Premiums</th>
<th>Losses</th>
<th>No. of Claims</th>
<th>Per Cent Loss Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>21,507,250</td>
<td>198</td>
<td>586,427</td>
<td>6,114</td>
<td>5</td>
<td>10.4</td>
</tr>
<tr>
<td>Group II</td>
<td>18,355,000</td>
<td>147</td>
<td>119,646</td>
<td>3,088</td>
<td>9</td>
<td>25.8</td>
</tr>
<tr>
<td>Group III</td>
<td>9,055,000</td>
<td>45</td>
<td>69,293</td>
<td>1,558</td>
<td>2</td>
<td>22.5</td>
</tr>
<tr>
<td>Group IV</td>
<td>5,010,000</td>
<td>24</td>
<td>42,816</td>
<td>0</td>
<td>0</td>
<td>--</td>
</tr>
<tr>
<td>Group V</td>
<td>3,450,000</td>
<td>21</td>
<td>94,473</td>
<td>1,339</td>
<td>3</td>
<td>14.2</td>
</tr>
<tr>
<td>Total</td>
<td>57,377,250</td>
<td>435</td>
<td>912,655</td>
<td>12,099</td>
<td>19</td>
<td>13.3</td>
</tr>
</tbody>
</table>

There were 435 school districts which responded to the question regarding the loss ratio, limit-in-force, amount received in claims, and the number of claims. Of the school corporations which replied, the aggregate amount of boiler insurance in force, as of June 30, 1965, was $57,377,250. There were 19 boiler insurance claims filed over the five-year period. The average amount of the claim was approximately $637. It is interesting to note that the average claim reported by Simpson (62, p. 187) was $601.

The insurance companies paid back to the responding school districts a total of $912,655 for a 13.3 per cent loss ratio. Group II with 147
reporting districts and nine claims had the highest loss ratio with 25.8 per cent. Of the responding schools, Group IV had the poorest loss ratio with no claims reported.

Boiler insurance is a desirable investment as protection against a property loss or injury resulting from explosion as well as providing safety factors provided by the inspection service rendered. The inspection alone could be considered a worthwhile reason for carrying boiler insurance.

Money and Securities Insurance

There are various types of coverages available to protect a district from the loss of funds from outside sources. Protection against loss of funds is available under burglary, robbery, or the newer money and securities coverage. Allen (2, p. 80) states that for insurance purposes, a burglary is defined as a loss caused by any person making felonious entry into the premises by actual force or violence. While robbery is defined as the taking of property by violence, by force, or by putting a person in fear of injury.

A loss of monies or securities may occur without either a burglary or a robbery taking place. Money may be lost through mysterious disappearance or by theft, neither of which would be covered by a burglary or robbery policy. Because of these restrictions on burglary and robbery coverage, it is recommended that school districts purchase a money and securities policy which offers broader coverage and eliminates the need for any other form of theft insurance (2, p. 81). Also, money and securities coverage may be written on a blanket basis to cover a loss at any location
up to a specific amount.

**Status of money and securities**

The advantage of using a money and securities policy is that it indemnifies the insured for all loss of funds caused by the actual destruction, disappearance, or wrongful abstraction within the premises (1, p. 81).

The data regarding the status of money and securities insurance by group classification are tabulated in Table 31.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>201</td>
<td>90</td>
<td>44.8</td>
</tr>
<tr>
<td>Group II</td>
<td>149</td>
<td>82</td>
<td>55.0</td>
</tr>
<tr>
<td>Group III</td>
<td>45</td>
<td>32</td>
<td>71.1</td>
</tr>
<tr>
<td>Group IV</td>
<td>25</td>
<td>17</td>
<td>68.0</td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>11</td>
<td>52.4</td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>232</td>
<td>52.6</td>
</tr>
</tbody>
</table>

There were 232 responding school districts, or 52.6 per cent, that indicated the use of money and securities coverage. Simpson's (62, p. 190) study showed that in 1958 only 35.02 per cent of the Iowa public high schools were then carrying money and securities insurance. Group III reported the highest percentage carrying money and securities coverage. The data from the responses indicate that 32 schools, or 71.1 per cent of this
class, were carrying this form of insurance on June 30, 1965. Group I, the smaller schools, had 90 districts, or only 44.8 per cent, that were carrying this coverage as of June 30, 1965.

Money and securities loss ratio

The results regarding money and securities insurance costs, losses, and loss ratios in the Iowa public high school districts by group classification for the five-year period (1960-1965) are reported in Table 32.

Table 32. Money and securities insurance costs, losses, and loss ratios in the Iowa public high school districts from July 1, 1960 to June 30, 1965 by group classification

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Premiums</td>
<td>Claims</td>
<td>Collected</td>
</tr>
<tr>
<td>Group I</td>
<td>201</td>
<td>$128,500</td>
<td>$14,482</td>
<td>5,004</td>
<td>34.6</td>
</tr>
<tr>
<td>Group II</td>
<td>149</td>
<td>136,068</td>
<td>19,594</td>
<td>11,957</td>
<td>61.0</td>
</tr>
<tr>
<td>Group III</td>
<td>45</td>
<td>55,559</td>
<td>7,872</td>
<td>769</td>
<td>14.2</td>
</tr>
<tr>
<td>Group IV</td>
<td>25</td>
<td>109,442</td>
<td>9,298</td>
<td>3,534</td>
<td>38.0</td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>40,600</td>
<td>8,123</td>
<td>1,734</td>
<td>21.3</td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>470,169</td>
<td>59,369</td>
<td>22,998</td>
<td>38.7</td>
</tr>
</tbody>
</table>

The aggregate amount of insurance in force, as of June 30, 1965, was $470,169. From all the responding districts, the money and securities insurance loss ratio was 38.7 per cent. The insurance carriers paid out $22,998 in 160 claims. Group II with 84 had the highest number of claims and the highest loss ratio, 61.0 per cent, with a total cash return of almost $12,000. There were 31 claims reported by Group III, the class with
the lowest loss ratio, 14.2 per cent. The previous study by Simpson (62, p. 190) tabulated a total loss ratio of 48.7 per cent which was considerably better than that shown by the present study.

All-Risk Insurance

All-risk insurance is basically a form of coverage designed to cover loss resulting from virtually all perils. This coverage is particularly applicable to items of relatively high value and to objects that are frequently moved from place to place (2, p. 83). Many school districts and some student-body organizations prefer to carry all-risk insurance on such equipment as movie projectors, radios, cameras, musical instruments, etc., in order to have complete coverage including accidental breakage and theft. This type of protection is now provided by Inland Marine insurance through the issuance of floater policies (43, p. 415).

Linn and Joyner (43, p. 415) state that Inland Marine insurance originated as Ocean Marine insurance. Later when rail transportation increased and then when truck and bus transportation became common, a need developed for a separate policy to give more complete coverage. In general, it may be said that Inland Marine coverage insures property in transit other than by sea. Under the terms of the policy, the school district is covered for all risks of loss or damage to the insured items.

The protection offered by these policies is extensive, and a school official can be reasonably sure that the coverage is adequate on all property covered. The standard exclusions are ordinary wear and tear, depreciation, and mechanical breakdown.

Fragile and fine art articles are not covered unless specifically
scheduled. This policy is written on a value basis with each article to be insured being described and valued separately by appraisal (43, p. 423).

It is important that accurate inventories be maintained for all items insured on an all-risk basis as a means of both establishing proof of loss and providing acceptable information as to replacement cost when a loss occurs (2, p. 84). The breakage and vandalism coverage, along with mysterious disappearance of these items, are especially worthy of consideration.

**Status of all-risk insurance**

The status of all-risk insurance in the Iowa public high school districts is indicated by the data compiled in Table 33.

Of the responding districts 340 school units, or 77.1 per cent, reported all-risk coverage. Group IV, reported the highest percentage with 23 school corporations, or 92.0 per cent, utilizing this type of coverage. The smaller districts in Group I had the lowest percentage reported with 148 school districts, or 73.6 per cent, carrying all-risk insurance.

The data regarding the costs, losses, and loss ratios in Iowa public high school districts by group classification for the five-year period for all-risk insurance are recorded in Table 34.

The aggregate amount of all-risk insurance in force, as of June 30, 1965, was $5,825,056. The loss ratio of premiums paid over the five-year period was 26.5 per cent on 2,071 claims. The insurance companies returned $61,240 to districts, in the form of claim payments. Group V had the highest loss ratio of 51.0 per cent on 309 claims with $15,087 being returned to the districts. The schools in Group III realized the lowest loss ratio of 19.1 per cent on 291 claims for a total of $7,444.
Table 33. Status, all-risk insurance in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Total Districts</th>
<th>Number with All-Risk Ins.</th>
<th>Per cent with All-Risk Ins.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>201</td>
<td>148</td>
<td>73.6</td>
</tr>
<tr>
<td>Group II</td>
<td>149</td>
<td>111</td>
<td>74.5</td>
</tr>
<tr>
<td>Group III</td>
<td>45</td>
<td>41</td>
<td>71.1</td>
</tr>
<tr>
<td>Group IV</td>
<td>25</td>
<td>23</td>
<td>92.0</td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>17</td>
<td>81.0</td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>340</td>
<td>77.1</td>
</tr>
</tbody>
</table>

All-risk insurance loss ratio

The data on the loss ratios of the other responding districts are as follows: (1) Group I collected $16,437 on 587 claims and the loss ratio was 24.3 per cent of the $67,528 premiums; (2) Group II, with $16,531 on 550 claims against $70,020 in premiums had a loss ratio of 23.6 per cent; (3) Group IV, reporting $24,698 in premiums, realized $5,741 on 334 claims, for a loss ratio of 23.2 per cent.

Workmen's Compensation

Allen (2, p. 61) says that workmen's compensation insurance covers liability imposed by law upon employers to compensate their employees for injury sustained from accidents arising in the course of their employment. This form of insurance can be considered as social insurance or protection. The employee need not rely upon a lawsuit in order to make a recovery, and the employer is responsible for payment even though there was no
Table 34. All-risk insurance costs, losses, and loss ratios in the Iowa public high school districts from July 1, 1960 to June 30, 1965 by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Number of Replies</th>
<th>Limits in Force</th>
<th>Costs and Losses</th>
<th>Per Cent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Premiums</td>
<td>Claims Paid</td>
<td>Claims Collected</td>
</tr>
<tr>
<td>Group I</td>
<td>201</td>
<td>$1,622,185</td>
<td>$67,528</td>
<td>$16,437</td>
</tr>
<tr>
<td>Group II</td>
<td>149</td>
<td>1,682,882</td>
<td>70,020</td>
<td>16,531</td>
</tr>
<tr>
<td>Group III</td>
<td>45</td>
<td>961,830</td>
<td>39,016</td>
<td>7,444</td>
</tr>
<tr>
<td>Group IV</td>
<td>25</td>
<td>551,958</td>
<td>24,698</td>
<td>5,741</td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>1,006,201</td>
<td>29,597</td>
<td>15,087</td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>5,825,056</td>
<td>230,859</td>
<td>61,240</td>
</tr>
</tbody>
</table>

negligence on the part of the employer (2, p. 62). Also, the worker can collect even when there is clear evidence of negligence on the part of the employee.

At the present time, all the states and territories of the United States have workmen's compensation laws, but in some states coverage is elective, while in others it is compulsory (20, p. 32). In Iowa, it is not mandatory that school districts carry workmen's compensation insurance, as stated in the Iowa Code (35, ch. 87.1):

While a school district is liable under the workmen's compensation law for injuries to employees while engaged in the performance of their duties, it is optional with the board to carry insurance to protect the district against such liability.

Workmen's compensation insurance protects the school districts in the following ways: (1) protection against liability for injuries sustained by employees during employment; (2) protection against liability in the event of employee's death from injuries sustained during employment; (3)
protection against liability for disease resulting from an injury sustained during employment; and (4) protection against liability for certain occupational diseases arising out of employment (29, p. 63).

The period for the workmen's compensation insurance policy is usually one-year, and the premiums charged are computed differently than for other types of insurance. The rates, which are established for various occupations, vary according to the hazards and are subject to approval by the State Commissioner of Insurance. When a dispute arises regarding a claim, the action is brought before the State Industrial Commission which has the judicial power to settle all workmen's compensation claims.

Workmen's compensation loss ratio

Table 35, which follows, contains the data regarding workmen's compensation insurance costs, losses, and loss ratios in the Iowa public high school districts by group classification for the period of July 1, 1960 to June 30, 1965.

There were 270 school districts which completed the entire series of questions regarding costs and claims. The replies indicated a loss ratio range from a high of 52.6 per cent for Group V to a low of 18.4 per cent for Group II. The loss ratio for all reporting districts was 36.8 per cent.

For the five-year period, there were 4,470 claims with Group V (the large schools) reporting the most, or 2,256. Group IV had the lowest number of claims, but still realized a good loss ratio of 49.6 per cent.

During the five-year era (1960-1965), all responding schools paid a total of $1,177,175 in premiums while collecting $433,639 in claims. The
Table 35. Workmen's compensation insurance costs, losses, and loss ratios in the Iowa public high school districts from July 1, 1960 to June 30, 1965, by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Number of Replies</th>
<th>Number of Claims</th>
<th>Premiums paid</th>
<th>Claims collected</th>
<th>Per Cent Loss Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>122</td>
<td>585</td>
<td>$198,977</td>
<td>$78,981</td>
<td>39.7</td>
</tr>
<tr>
<td>Group II</td>
<td>89</td>
<td>832</td>
<td>$414,268</td>
<td>$76,152</td>
<td>18.4</td>
</tr>
<tr>
<td>Group III</td>
<td>29</td>
<td>598</td>
<td>$140,563</td>
<td>$58,491</td>
<td>41.6</td>
</tr>
<tr>
<td>Group IV</td>
<td>14</td>
<td>299</td>
<td>$89,876</td>
<td>$44,611</td>
<td>49.6</td>
</tr>
<tr>
<td>Group V</td>
<td>16</td>
<td>2256</td>
<td>$333,491</td>
<td>$175,404</td>
<td>52.6</td>
</tr>
<tr>
<td>Total</td>
<td>270</td>
<td>4470</td>
<td>1,177,175</td>
<td>433,639</td>
<td>36.8</td>
</tr>
</tbody>
</table>

data for Group IV indicate the highest amount collected per claim which was approximately $150.

Transportation

Linn and Joyner (43, p. 200) state that the first automobile liability policy was written in 1898 as an endorsement on a team's policy and the first material damage policy was issued in 1922. A wide variety of vehicle insurance forms were used prior to 1936 when a standard policy was adopted. It may be varied and combined with other coverages to obtain an all-risk automobile policy.

The automobile bodily injury policy covers the liability which may be imposed upon the insured by law for bodily injury, sickness, or disease or death caused by accident. The property damage, which is usually written with the bodily injury policy, protects against liability for injury or destruction of the property of others (1, p. 544).
Status of bodily injury and property damage insurance

The status of bodily injury and property damage insurance is considered in Table 36.

Table 36. Status, bodily injury and property damage liability insurance in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>201</td>
<td>198</td>
<td>98.5</td>
</tr>
<tr>
<td>Group II</td>
<td>149</td>
<td>144</td>
<td>96.6</td>
</tr>
<tr>
<td>Group III</td>
<td>45</td>
<td>45</td>
<td>100.0</td>
</tr>
<tr>
<td>Group IV</td>
<td>25</td>
<td>25</td>
<td>100.0</td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>19</td>
<td>90.5</td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>431</td>
<td>97.7</td>
</tr>
</tbody>
</table>

All 441 responding districts answered the question regarding bodily injury and property damage coverage. The responding districts indicated that 97.7 per cent were carrying this type of insurance.

Groups III and IV had the highest percentage of the districts carrying bodily injury and property damage liability with both classes reporting 100 per cent. Group V districts' data indicate the lowest per cent carrying this type of coverage with 90.5 per cent.

Motor vehicle liability insurance coverage

Accidents involving vehicles can result in large financial losses to a school district. Thus the district is concerned with the protection of
the school's investment in the vehicle fleet as well as protection against liability claims. Insurance covering the hazards of ownership of motor vehicles is divided into two sections: the material damage or destruction of the vehicle itself, and coverage of liability for injury to persons or damage to property of others (2, p. 70). The operation of school buses usually constitutes the major portion of the transportation activity of most Iowa school districts.

The limits of coverage have increased rapidly in recent years. Linn and Joyner (43, p. 219) reported the average automobile insurance coverages of school districts in 1941 were:

<table>
<thead>
<tr>
<th></th>
<th>Bodily Injury</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>One Person</td>
</tr>
<tr>
<td>Passenger Car</td>
<td>$10,000</td>
</tr>
<tr>
<td>Trucks</td>
<td>10,000</td>
</tr>
<tr>
<td>Buses</td>
<td>10,000</td>
</tr>
</tbody>
</table>

In Simpson's (62, p. 142) study, he found that three out of the four groups of responding school districts had the following limits on buses: (1) $10,000 bodily injury limit each person per accident; (2) $100,000 bodily injury limit per accident; and (3) $5,000 property damage limit.

The limits of coverage of motor vehicle liability insurance in the Iowa public high school districts as of June 30, 1965, are tabulated in Table 37.

It is interesting to note that since 1958 there have been significant increases in all three areas; bodily injury per person, bodily injury per accident, and property damage. Of the motor vehicle liability insurance contracts carried by the 441 responding school districts, the most frequently reported property damage amount was $10,000. While Group III
<table>
<thead>
<tr>
<th>School Districts</th>
<th>Number of Districts</th>
<th>Bodily Injury per Person</th>
<th>Bodily Injury per Accident</th>
<th>Property Damage (Aggregate)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROUP I</strong></td>
<td>201</td>
<td>100,000</td>
<td>300,000</td>
<td>10,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>300,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5,000</td>
<td>10,000</td>
<td>5,000</td>
</tr>
<tr>
<td><strong>GROUP II</strong></td>
<td>149</td>
<td>100,000</td>
<td>300,000</td>
<td>10,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>500,000</td>
<td>3,000,000</td>
<td>300,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,000</td>
<td>100,000</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>GROUP III</strong></td>
<td>45</td>
<td>100,000</td>
<td>300,000</td>
<td>25,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>500,000</td>
<td>1,000,000</td>
<td>100,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100,000</td>
<td>300,000</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>GROUP IV</strong></td>
<td>25</td>
<td>100,000</td>
<td>300,000</td>
<td>25,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>500,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>25,000</td>
<td>200,000</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>GROUP V</strong></td>
<td>21</td>
<td>100,000</td>
<td>300,000</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,000,000</td>
<td>3,000,000</td>
<td>100,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>50,000</td>
<td>300,000</td>
<td>5,000</td>
</tr>
</tbody>
</table>
indicated that $25,000 in coverage was the most used in that class, Group V respondents marked $50,000 as the most common.

All five groups indicated that the most used limit for bodily injury per person was $100,000. Also, all five classes responded that the most common limits for bodily injury per accident was $300,000. It is interesting to note that in three classes at least one school reported a limit of bodily injury per person at $1,000,000, and in two groups $3,000,000 was marked by at least one school regarding the maximum limits for bodily injury per accident.

Apparently Iowa school officials are becoming more aware of the need for adequate automobile liability coverage since previous studies indicate little or no increase in the limits from 1941 to 1958 while from 1958 to 1965 there have been large increases.

**Motor vehicle liability loss ratio**

Constantine (11) says the real reason for purchasing liability insurance is not to protect the school (which has no liability to protect) but the injured party. Some states are making a sincere effort to compensate pupils for injuries sustained in transportation. For example, Delaware is acting as a self-insurer in pupil transportation. Alabama and North Carolina have established their own state plans for reimbursement of parents for medical, hospital, and funeral expenses in connection with injuries, or death, that children sustain in school bus accidents.

Considering the magnitude of pupil transportation throughout the United States, the general record for safety, as compared with other types of public and private transportation, is very good (43, p. 259). School
bus operations cover many more miles of route and carry more than double the total volume of all commercial bus transportation (43, p. 217).

Simpson's (62, p. 149) study indicated a loss ratio of premiums paid over the five-year period of only 14.68 per cent. The loss ratio of premiums paid for the five-year study (1960-1965) of the present study is considered in Table 38.

Table 38. Motor vehicle liability insurance costs, losses, and loss ratios in the Iowa public high school districts from July 1, 1960 to June 30, 1965, by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Number of Replies</th>
<th>Costs Premiums paid</th>
<th>Losses Claims collected</th>
<th>No. of claims</th>
<th>Per Cent Loss Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>76</td>
<td>147,593</td>
<td>29,219</td>
<td>237</td>
<td>19.8</td>
</tr>
<tr>
<td>Group II</td>
<td>73</td>
<td>161,869</td>
<td>95,246</td>
<td>408</td>
<td>58.8</td>
</tr>
<tr>
<td>Group III</td>
<td>24</td>
<td>66,928</td>
<td>32,136</td>
<td>188</td>
<td>48.0</td>
</tr>
<tr>
<td>Group IV</td>
<td>11</td>
<td>47,162</td>
<td>58,851</td>
<td>107</td>
<td>124.8</td>
</tr>
<tr>
<td>Group V</td>
<td>11</td>
<td>88,909</td>
<td>36,518</td>
<td>335</td>
<td>41.0</td>
</tr>
<tr>
<td>Total</td>
<td>195</td>
<td>512,461</td>
<td>251,970</td>
<td>1,275</td>
<td>49.2</td>
</tr>
</tbody>
</table>

The responding school districts reported 1,275 motor vehicle liability claims from July 1, 1960 to June 30, 1965. Group V had the greatest number of claims per respondent with an average of 30 per school. The high number of accidents per respondent seems plausible since these are the larger school districts and bus drivers encounter more hazards in urban areas than in rural areas.

The total of premiums paid for the five-year period was $512,461 while
the schools were paid $251,970 by the carriers, in the form of claims for an average loss ratio of 49.2 per cent. The small schools, those in Group I, had the lowest loss ratio to premiums paid, a reported 19.8 per cent. These schools also had the lowest average number of claims per respondent with only 3.1 each for the five-year period. Groups II, III and V all reported a loss ratio similar to average for the entire state. The loss ratios of premiums paid for these groups were: (1) Class II, 58.8 per cent; (2) Class III, 48.0 per cent; and (3) Class V, 41.0 per cent. It is significant to note that Group IV respondents reported a loss ratio of premiums paid as 124.8 per cent. However, only 11 of 26 districts in this group completely answered the series of questions regarding cost data thereby leading the investigator to believe that this part of the motor vehicle liability table might be inaccurate. It should be stated, however, that it is possible for a small number of districts, for a period of time, to collect more in claims than was paid in premiums. This is possible since insurance is merely a law-of-averages business.

**Status of vehicle comprehensive insurance**

Comprehensive insurance coverage includes breakage of glass, loss caused by falling objects, fire, theft, explosion, earthquake, windstorm, hail, water, flood, vandalism, and riot or civil commotion (44, p. 209). The motor vehicle comprehensive insurance might be considered an all-inclusive policy covering all risks except collision and liability. Also, a deductible clause may be added to the comprehensive policy, if desired. Table 39 contains the data regarding the status of vehicle comprehensive insurance in the Iowa public high school districts.
Table 39. Status, vehicle comprehensive insurance in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Number of replies</th>
<th>Comprehensive Insurance</th>
<th>Number with comp. ins.</th>
<th>Per cent with comp. ins.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>201</td>
<td>182</td>
<td>90.5</td>
<td></td>
</tr>
<tr>
<td>Group II</td>
<td>149</td>
<td>140</td>
<td>94.0</td>
<td></td>
</tr>
<tr>
<td>Group III</td>
<td>45</td>
<td>43</td>
<td>96.0</td>
<td></td>
</tr>
<tr>
<td>Group IV</td>
<td>25</td>
<td>22</td>
<td>88.0</td>
<td></td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>18</td>
<td>85.7</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>405</td>
<td>91.8</td>
<td></td>
</tr>
</tbody>
</table>

Of the 441 responding districts answering the question regarding vehicle comprehensive coverage, 405 reported they carried this type of insurance. Simpson (62, p. 155) reported that 86.2 per cent of the responding districts had this type of insurance, while the present study indicates 91.8 per cent were carrying vehicle comprehensive coverage as of June 30, 1965. Group III had the highest percentage with 96.0 per cent while Group V reported the lowest percentage with 85.7 per cent.

Motor vehicle comprehensive loss ratio

The broad type vehicle comprehensive insurance, which is an alternative to the more limited vehicle fire and theft insurance, can be purchased for a moderately small additional premium. Indemnification is for actual cost of repairs, or actual cash value of the vehicle if a total loss is involved (2, p. 74).

The tabulation of the data concerning motor vehicle comprehensive in-
Insurance costs, losses, and loss ratios in the Iowa public high school districts for the five-year period July 1, 1960 to June 30, 1965, are found in Table 40.

Table 40. Motor vehicle comprehensive insurance costs, losses, and loss ratios in the Iowa public high school districts from July 1, 1960 to June 30, 1965, by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Number of Replies</th>
<th>Costs Premiums paid</th>
<th>Losses Claims collected</th>
<th>Losses No. of claims</th>
<th>Per Cent Loss Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>114</td>
<td>69,494</td>
<td>45,223</td>
<td>788</td>
<td>65.1</td>
</tr>
<tr>
<td>Group II</td>
<td>94</td>
<td>83,646</td>
<td>47,429</td>
<td>1107</td>
<td>56.7</td>
</tr>
<tr>
<td>Group III</td>
<td>30</td>
<td>35,368</td>
<td>33,614</td>
<td>484</td>
<td>95.0</td>
</tr>
<tr>
<td>Group IV</td>
<td>11</td>
<td>14,989</td>
<td>15,362</td>
<td>324</td>
<td>102.5</td>
</tr>
<tr>
<td>Group V</td>
<td>7</td>
<td>11,282</td>
<td>2,567</td>
<td>84</td>
<td>22.8</td>
</tr>
<tr>
<td>Total</td>
<td>256</td>
<td>214,779</td>
<td>144,195</td>
<td>2787</td>
<td>67.1</td>
</tr>
</tbody>
</table>

The aggregate amount of premiums was $214,779 while $144,195 was paid by the insurance companies in claims, for a loss ratio of 67.1 per cent. The range of the loss ratios by class was from 22.8 per cent for Group V to 102.5 per cent for Group IV. Group II had the highest number of claims, 1107, and Group V the fewest, with only 84 claims. The average amount for each claim was highest for Group III with 484 claims for $33,614, or approximately $69 per loss.

Status of motor vehicle collision insurance

Collision or upset insurance protects the district against direct and accidental damage to owned or leased vehicles, provided the damage results
from collision of the vehicle with another object or by upset. There is no question of negligence involved, but the event must be accidental (2, p. 75).

Collision coverage may be written on a full-coverage basis, or with a deductible which may vary from $50 to $500, or more. Since collision coverage is expensive, it is usually written with some form of deductible. The rate will vary depending upon value of the vehicle. The degree of risk involving collision will vary greatly from district to district with urban schools probably having greater risk.

Allen (2, p. 75) says that normally there is no catastrophic loss involved in collision, except in the case of a rather small district with very few vehicles in which the total loss of one vehicle would have a major effect on the district's transportation program.

Of the 441 school districts which answered this question, 245 or 56.0 per cent responded that a collision insurance policy on vehicles was presently being carried. Group V reported the highest percentage of such coverage with 13 schools, or 61.9 per cent of the districts in this class, utilizing collision coverage. There were 103, or 51.2 per cent of the school corporations in Group I, that were carrying this kind of coverage on June 30, 1965. This was the lowest percentage of all groups.

**Deductible clauses on vehicle collision insurance**

There are considerable savings available to school districts through the use of a deductible clause in connection with collision insurance. The district may assume the first $50, $100, or other selected deductible amount with the insurance carrier paying only for the amount of loss above
Table 41. Status, collision insurance in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Number of replies</th>
<th>Number of districts</th>
<th>Per cent of districts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>201</td>
<td>103</td>
<td>51.2</td>
</tr>
<tr>
<td>Group II</td>
<td>149</td>
<td>90</td>
<td>60.4</td>
</tr>
<tr>
<td>Group III</td>
<td>45</td>
<td>26</td>
<td>58.0</td>
</tr>
<tr>
<td>Group IV</td>
<td>25</td>
<td>13</td>
<td>52.0</td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>13</td>
<td>61.9</td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>245</td>
<td>56.0</td>
</tr>
</tbody>
</table>

The deductible amount. This plan of coverage avoids the necessity of processing relatively small claims. Because of the savings possible by the use of a deductible clause, practically all school districts utilize a deductible clause.

In question 66, the school districts were asked to indicate the amount of the deductible clause in their collision coverage. The results of that inquiry have been compiled and placed in Table 42.

Of the 242 school districts that reported the use of a deductible clause, 115, or 47.5 per cent utilized the $100 amount. This was the most common deductible amount indicated. The next most often used deductible amount was the $50 clause with 86 districts, or 35.5 per cent, using this endorsement. There were 201 school corporations, or 82.0 per cent, that used either the $50 or $100 deductible amount. There were 25 respondents, or 10.3 per cent of those schools replying to this inquiry, that used a $250 deductible clause; while 16 of the reporting school units, or 6.6 per
cent indicated the use of other deductible amounts.

Table 42. Amount of deductible clauses on vehicle collision insurance in the Iowa public high school districts

<table>
<thead>
<tr>
<th>Deductible Amounts</th>
<th>Number of Replies</th>
<th>Per Cent of all Districts</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 50</td>
<td>86</td>
<td>35.5</td>
</tr>
<tr>
<td>100</td>
<td>115</td>
<td>47.5</td>
</tr>
<tr>
<td>250</td>
<td>25</td>
<td>10.3</td>
</tr>
<tr>
<td>Other</td>
<td>16</td>
<td>6.6</td>
</tr>
</tbody>
</table>

Status of medical payment insurance

Medical payment is another form of vehicle insurance coverage.

Under this form of coverage, the carrier will pay for medical expenses up to a stated amount for injury occurring as a result of riding in, being about, or being struck by a motor vehicle (2, p. 76).

This is an accident form of coverage and does not replace liability coverage which provides protection against claims resulting from negligence. Medical payment insurance usually does not apply to employees, since coverage is provided under workmen's compensation for injuries occurring in the performance of employment. The tabulations which follow in Table 43 indicate the status of medical payment insurance on vehicles for Iowa public high school districts by group classification.

There were 424 school districts, or 96.1 per cent of the 441 responding schools, that reported medical payment insurance as of June 30, 1965. Group III had the highest percentage carrying this type of insurance, 100 per cent. The data for the other groups are: (1) Group II, 147 school
Table 43. Status, medical payments insurance on vehicles in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>School Districts</th>
<th>Number of Replies</th>
<th>Medical Payments Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Number of districts</td>
</tr>
<tr>
<td>Group I</td>
<td>201</td>
<td>189</td>
</tr>
<tr>
<td>Group II</td>
<td>149</td>
<td>147</td>
</tr>
<tr>
<td>Group III</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>Group IV</td>
<td>25</td>
<td>23</td>
</tr>
<tr>
<td>Group V</td>
<td>21</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>441</td>
<td>424</td>
</tr>
</tbody>
</table>

corporations or 98.7 per cent; (3) Group IV, 23 districts or 92.0 per cent; (4) Group V, 20 schools or 95.2 per cent of the reporting districts carried medical payment insurance on vehicles.

**Medical payment insurance limits**

The owner of an insured vehicle may desire to pay medical costs for persons injured while riding in the motor vehicle, whether or not any negligence on the part of the insured or driver might be established. The medical payments endorsement to a liability policy provides for reasonable expenses for medical, surgical, ambulance, or funeral services on behalf of any person injured in an accident covered by the policy (44, p. 176). This coverage applies regardless of the liability of the injured or the negligence of the insured or his employee. The medical payment limit is entirely independent of the bodily injury liability limits.

There were 418 schools which responded to the question regarding
The data showing the tabulations of the replies are recorded in Table 44.

Table 44. Medical payment limits of motor vehicle insurance in the Iowa public high school districts by group classification

<table>
<thead>
<tr>
<th>Medical Payment Limits</th>
<th>School Districts</th>
<th>Replies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group I</td>
<td>Group II</td>
</tr>
<tr>
<td>$ 500</td>
<td>49</td>
<td>41</td>
</tr>
<tr>
<td>$1,000</td>
<td>80</td>
<td>69</td>
</tr>
<tr>
<td>$2,500</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>$5,000</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td>51</td>
<td>29</td>
</tr>
<tr>
<td>Total</td>
<td>188</td>
<td>143</td>
</tr>
</tbody>
</table>

The most common limits for medical payment insurance is $1,000, and 189 school districts, or 45.2 per cent of the reporting schools, indicated this limit. The $500 limit was carried by 110 school corporations, or 26.3 per cent of those schools which responded to this inquiry. There is apparently a wide variation of limits since seven schools reported a $2,500 limit and seven other districts replied that a $5,000 limit was utilized. Also, 105 schools, or 25.1 per cent, marked that some other amount than those mentioned above was used.

Comparative Analysis

A study on the insurance practices in the Iowa public high school districts was made by George Simpson covering a five-year period from
July 1, 1953 to June 30, 1958. This study will be referred to in the following table as the first five-year survey. The present paper covered the five-year period of July 1, 1960 to June 30, 1965, and hereafter will be called the second five-year survey. The comparative analysis of the studies is tabled for examination in Table 45. In the column marked "Per Cent of Change" a plus sign indicates improvement while a minus sign means that the Iowa schools have digressed in certain insurance practices as measured by what Clifford H. Allen (2), insurance supervisor for the Los Angeles city schools, recommends in his publication, School Insurance Administration.

Table 45. Selected insurance practices, for comparative analysis of the first five-year survey to the second five-year survey

<table>
<thead>
<tr>
<th>Selected Insurance Practices Being Compared</th>
<th>First Five Year Survey</th>
<th>Second Five Year Survey</th>
<th>Per Cent of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency of appraisals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annually</td>
<td>14.5</td>
<td>41.7</td>
<td>+30.2</td>
</tr>
<tr>
<td>Property appraisers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional</td>
<td>9.9</td>
<td>13.8</td>
<td>+ 3.9</td>
</tr>
<tr>
<td>Concurrent expiration date</td>
<td>48.4</td>
<td>66.6</td>
<td>+18.2</td>
</tr>
<tr>
<td>Competitive bidding</td>
<td>16.1</td>
<td>26.7</td>
<td>+10.6</td>
</tr>
<tr>
<td>Chief insurance advisers</td>
<td>28.2</td>
<td>35.1</td>
<td>+ 6.9</td>
</tr>
<tr>
<td>Coinsurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>90 per cent</td>
<td>22.3</td>
<td>47.2</td>
<td>+24.9</td>
</tr>
<tr>
<td>Replacement value insurance</td>
<td>--</td>
<td>76.4</td>
<td>--</td>
</tr>
<tr>
<td>Deductible clause endorsement</td>
<td>--</td>
<td>65.8</td>
<td>--</td>
</tr>
<tr>
<td>Periods of fire and extended coverage ins.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 year annual payment plan</td>
<td>42.9</td>
<td>40.1</td>
<td>- 2.8</td>
</tr>
<tr>
<td>3 year annual payment plan</td>
<td>4.7</td>
<td>14.5</td>
<td>+ 9.8</td>
</tr>
</tbody>
</table>
Table 45 (Continued)

<table>
<thead>
<tr>
<th>Selected Insurance Practices Being Compared</th>
<th>First Five Year Survey</th>
<th>Second Five Year Survey</th>
<th>Per Cent of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vandalism and malicious mischief ins.</td>
<td>--</td>
<td>87.8</td>
<td>--</td>
</tr>
<tr>
<td>Blanket building and contents form</td>
<td>37.0</td>
<td>66.7</td>
<td>+29.7</td>
</tr>
<tr>
<td>Fire insurance, extended coverage, and vandalism and malicious mischief loss ratio to premiums paid</td>
<td>42.0</td>
<td>36.9</td>
<td>-5.1</td>
</tr>
<tr>
<td>General liability insurance</td>
<td>33.5</td>
<td>73.5</td>
<td>+40.0</td>
</tr>
<tr>
<td>General liability insurance loss ratio to premiums paid</td>
<td>15.9</td>
<td>19.9</td>
<td>+4.0</td>
</tr>
<tr>
<td>Fidelity bond loss ratio to premiums paid</td>
<td>1.1</td>
<td>2.8</td>
<td>+1.7</td>
</tr>
<tr>
<td>Boiler insurance loss ratio to premiums paid</td>
<td>3.5</td>
<td>13.3</td>
<td>+9.8</td>
</tr>
<tr>
<td>Money and securities loss ratio to premiums paid</td>
<td>48.7</td>
<td>38.7</td>
<td>-10.0</td>
</tr>
<tr>
<td>All-risk insurance loss ratio to premiums paid</td>
<td>31.3</td>
<td>26.5</td>
<td>-4.8</td>
</tr>
<tr>
<td>Motor vehicle liability insurance loss ratio to premiums paid</td>
<td>14.7</td>
<td>49.2</td>
<td>+34.5</td>
</tr>
<tr>
<td>Motor vehicle comprehensive insurance loss ratio to premiums paid</td>
<td>18.0</td>
<td>57.4</td>
<td>+39.4</td>
</tr>
</tbody>
</table>

The data in Table 45 indicates that in all but four of the 21 selected practices of school insurance there appeared to be some improvement. There was evidence of better insurance principles being practiced in the following areas: (1) annual appraisals up 30.2 per cent; (2) use of professional appraisals up slightly; (3) concurrent expiration dates up 18.2 per cent; (4) competitive bidding used by 10.6 per cent more school districts; (5)
the use of chief insurance advisers up 6.9 per cent; and (6) use of a 90 per cent coinsurance clause, an increase of 24.9 per cent.

Simpson did not ask any questions regarding replacement insurance or deductible clauses; therefore, these areas could not be compared. Neither was vandalism and malicious mischief covered by Simpson.

Additional insurance areas which could be compared were: (1) 5 year annual payment plan, down 2.8 per cent; (2) 3 year annual payment plan, up 9.8 per cent; (3) fire insurance, extended coverage, and vandalism and malicious mischief loss ratio to premiums paid, down 5.1 per cent; (4) blanket building and contents form, up 29.7 per cent; (5) general liability, up 40.0 per cent; and (6) general liability loss ratio to premiums paid, an increase of 4.0 per cent.

Other insurance areas compared were: (1) fidelity bond loss ratio to premiums paid, up slightly; (2) boiler insurance loss ratio to premiums paid, up 9.8 per cent; (3) money and securities loss ratio to premiums paid, a decreased 10.0 per cent; (4) all-risk insurance loss ratio to premiums paid, down 4.8 per cent; (5) motor vehicle liability insurance loss ratio to premiums paid, up 34.5 per cent; and (6) motor vehicle comprehensive insurance loss ratio to premiums paid, an increase of 39.4 per cent.

Summary

This chapter has reported the administrative practices, fire and extended coverage insurance, general liability, fidelity bonds, boiler insurance, money and security insurance, all-risk insurance, workmen's compensation, and transportation.
The 441 responding districts were grouped in five classes according to the high school enrollment size.

There were 56 schools that carried no mutual insurance coverage and only 47 that did not carry at least one stock policy. In only two types of coverages did the mutual companies outsell the stock companies: (1) motor vehicle insurance; and (2) workmen's compensation insurance.

The frequency and methods of appraising school property has improved, however; more districts should use professional appraisers. From the findings of this chapter, it appears that Iowa public high school districts are a good risk for fire and extended coverage and vandalism and malicious mischief insurance. Several states have initiated insurance funds which have worked successfully and should be investigated by the State of Iowa.

The increased number of legislative and court decisions in other states have caused the majority of the Iowa school boards to purchase general liability insurance.

School transportation is big business in Iowa. There has been a rapid increase in the limits carried to cover bodily injuries and property damage. According to data included in this chapter, vehicle liability, vehicle comprehensive, and vehicle collision all had a favorable loss ratio to premiums paid recorded.

Because many Iowa public high school districts did not report losses sustained for the five-year period, it is believed the workmen's compensation loss ratio data are inaccurate. The various loss ratio studies would seem to indicate that the Iowa public high school districts are preferred risk for fidelity bonds, boiler and all-risk insurance.
CHAPTER V. DISCUSSION

Insurance accounts for one of the large expenditures of the school budget. Therefore, the school insurance program is an important responsibility and one which sometimes has not received the proper attention. Two of the problems inherent in school insurance administration are: (1) specific information regarding sound school insurance practices is not readily available; and (2) little attention has been given to the area of school insurance by colleges and universities in their training of school administrators. The major findings of this study are considered here with the hope that they will help to form the basis for better school insurance programs.

Purpose and Procedure of the Study

The insurance needs of a school district have increased rapidly in recent years and more and broader coverages are currently required. A few of the reasons for the greater variety of coverage now required are: (1) the present confused state of school district liability; (2) the increased property coverage required by increased building costs and values; (3) enlarged transportation systems; (4) the greater mobility of equipment from building to building; and (5) larger sums of money being handled.

The data found in Chapter IV, which will be discussed in this section, will form the basis for a recommended insurance program to be presented in the following chapter. The purpose of the discussion is to consider and analyze the present insurance procedures so that they may be logically organized and presented in a recommended insurance program for the Iowa school officials.
The Superintendent of Public Instruction in Iowa has urged that a study of this type be completed to assist in the improvement of school insurance programs in the public high school districts of Iowa. The previous five-year study completed by George Simpson (62) provided considerable assistance in 1960 to local school staffs in their upgrading of school insurance.

The present study was delimited to the 459 public four-year high school districts of the State of Iowa based on data from the Department of Public Instruction for 1964-1965 school year. It was necessary to eliminate all districts organized between June 30, 1960 and July 1, 1964, and to include only those districts which survived as public high school districts. The study was further delimited to include only the principles and practices of the administration of the school insurance programs including the types of coverages most frequently purchased and the costs, losses, and loss ratios to premiums paid during the five-year period.

Because there is believed to be a variation in insurance practices even among schools of similar size, the entire population was surveyed. After the determination of the population size, the next step was to establish the years to be studied. At first, the years 1959-1964 were considered, but the 1964-1965 school year was completed before the questionnaire was ready for mailing. Therefore, it was determined that the study would be more current and of more value if the five-year period was altered to include the 1960-1965 period.

The decision on the proposed classification was reached after a discussion with the regional consultants in the Department of Public Instruction. It was the opinion of the researcher that their judgment should be
utilized in this determination since they visit all public schools and are familiar with the general administrative practices of schools of all sizes.

CLASSIFICATION OF THE PUBLIC FOUR-YEAR HIGH SCHOOL DISTRICTS FOR THE 1964-1965 SCHOOL YEAR

<table>
<thead>
<tr>
<th>Class. No.</th>
<th>High School Enrollment</th>
<th>No. of Districts</th>
</tr>
</thead>
<tbody>
<tr>
<td>I.</td>
<td>199 and below</td>
<td>208</td>
</tr>
<tr>
<td>II.</td>
<td>200 to 399</td>
<td>156</td>
</tr>
<tr>
<td>III.</td>
<td>400 to 599</td>
<td>46</td>
</tr>
<tr>
<td>IV.</td>
<td>1,000 and up</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>459</td>
</tr>
</tbody>
</table>

High School Enrollments based on data reported to the Iowa State Department on the General Annual Report as of September 30, 1964.

The instrument used in the study was developed over a period of several months. The questionnaire used in the Simpson study (62) was used as a starting point. Next, a careful study was made of Salmon's (54) instrument used in the School Business Official's Study of 1958. Personal interviews were held with many people, both school administrators and insurance officials, regarding the feasibility of the survey and the structuring of the instrument. A list of suggested questions for the instrument was submitted by Philip Jester, past president of the Association of Independent Insurance Agents of Des Moines, and these were considered and used in the development of the first draft.

The original draft was then taken to Ottumwa where Mr. Leighton Smith, Business Manager of the Ottumwa schools, and Mr. Andrew Norton, an Ottumwa insurance agent, assisted the researcher in revising the instrument. Additional assistance was received from Mr. Arnold Smith, Deputy Insurance Commissioner; Mr. Glen Bondesson, Manager of the Iowa Inspection Bureau;
Mr. David Paul, a bond specialist with a Des Moines insurance company; Mr. Dean Chandler, an adjuster with a Des Moines insurance company; Messrs. Richard Smith and Hartsel Perry of the Department of Public Instruction; and numerous school superintendents.

After the instrument had been revised numerous times, a copy was submitted to Dr. Richard Manatt, Iowa State University, for review and further recommendations. Dr. Manatt suggested that the instrument should be further tested by use in a pilot study.

The pilot study was initiated to coincide with the completion of the 1964-1965 school year. The instrument was mailed to ten selected school districts based on size proportional to the number of schools in each of the classifications. All ten schools indicated their willingness to participate in the pilot survey by returning a self-addressed card to the researcher. However, only eight of these schools actually completed the pre-study instrument.

The mass mailing to all school districts included in the study was made on August 16, 1965, with a cover letter from the State Superintendent of Public Instruction explaining the purpose and importance of the study. A copy of the cover letter is included in the Appendix. All mailings were addressed to the superintendents of schools with the suggestion that the individual and/or individuals responsible for the insurance program complete the instrument. Two follow-up letters were used and these were handled in the same manner. There was an excellent response to the questionnaire with 441 of the 459 instruments being completed and returned.

The questionnaire was structured to accommodate the use of the data processing equipment of the Department of Public Instruction. Mrs. Evelyn
Nielsen, Supervisor of Data Processing in the Department of Public Instruction, assisted the investigator in developing the instrument so that it was adaptable to the data equipment. The questionnaire (Appendix C) was structured to accommodate replies coded with an arabic number. In all questions which might warrant a multiple reply, a value judgment was requested by asking the respondents to select the major or prime answer.

Two types of data were collected on the questionnaire: (1) information regarding the current insurance practices, and (2) fiscal data for the five-year period, July 1, 1960 to June 30, 1965. The financial data included in the questions concerned insurance costs, losses, number of claims and loss ratios, and the aggregate amount of statewide coverages presently in force.

Discussion of Findings

The major findings of this study were compiled, analyzed, and placed in tables in Chapter IV, and the discussion to follow will relate to the respective sections of that chapter. All reference to responding school districts refers to the data obtained from the questionnaires returned by the Iowa public high school districts, covering the five-year period from July 1, 1960 to June 30, 1965.

Administrative practices

The first area to be considered under administrative practices was the current utilization of various types of insurance coverage. The study revealed that there were no districts which were self-insured, and since Iowa does not have a state insurance plan, this means that all districts carried some insurance coverage with a commercial carrier. The two major
types of commercial insurance companies are stock and mutual carriers. Since the introduction of the non-assessable insurance policies, mutual companies have competed favorably with stock carriers for the school insurance business. However, stock companies have outsold their mutual competitors. Some school insurance authorities (43, p. 121) have been critical of school officials because they did not take advantage of the savings possible by the use of lower mutual rates.

Currently, there is some evidence to indicate that the rates of stock and mutual carriers do not vary as much as once might have been true. Schaerer (55, p. 215) stated that although there is a standard rate filed with the Insurance Commissioner, all companies will deviate from the manual rates as much as 40 per cent. Also the development of the new forms (public and institutional property and special multi-peril) has apparently led to greater competition among all insurance companies. Evidence that has been presented to the researcher by various school officials indicates that on several occasions, when competitive bidding procedures were followed, stock companies were the successful bidders.

There were only 56 responding school districts that indicated that they carried no mutual policies and only 47 school corporations that indicated the carrying of no stock policies. In the fire and extended coverage area, 70.5 per cent of the reporting districts were carrying some coverage with a stock company. The smaller responding school districts used mutual company insurance more than the larger school corporations. Motor vehicle insurance and workmen's compensation insurance were the only two types of insurance coverage in which the mutual companies had the majority of the business. The responding school districts indicated that
the services rendered by both mutual and stock companies have been satisfac-
tory.

Other interesting findings were: (1) mutual insurance carriers have 76 per cent of the motor vehicle insurance and 65 per cent of the work-
men's compensation insurance; (2) stock companies heavily dominate the boiler insurance field with 89 per cent of the business; and (3) stock companies have 60 per cent of the burglary types of insurance coverage.

In the area of insurance company selection, services rendered by the local insurance agent were still the prime consideration. Only 2.4 per cent of the responding school districts utilized professional rating mate-
rials in selecting companies. This appears to be an area where the insur-
ance practice recommended by insurance authorities was not followed by Iowa school officials. Insurance authorities state that the simplest and most reliable method to use in the selection of an insurance company is an insurance guide which gives a managerial rating for each company (43, p. 127).

One of the major areas of concern regarding school insurance is the placement of responsibility for the school insurance program. Levensohn (41, p. 105) says the best safeguard to assure the implementation and maintenance of a good insurance program is an administrative structure which gives clear direction in matters of policy and clear delegation of the operational responsibility. This responsibility should be delegated to the superintendent or the appropriate assistant. The present study in-
dicated that in 52 per cent of the reporting districts the superintendent, business manager, or school board secretary was given this responsibility as recommended. However, it was noted that in 34 per cent of the
responding districts, the board of education still held this responsibility.

If an insurance adviser or local agent's association is used, the school official should make sure that the insurance consultant or consultants are unbiased and that they are compensated for the services rendered so that the district remains a free agent (27, p. 554). In the judgment of the investigator, a school district using an insurance adviser has a better opportunity to develop an adequate insurance program.

The appraisal of school property is another important area of school insurance administration. It is imperative that an accurate appraisal, which is updated periodically, be available for the basis of a settlement in case of a loss. Insurance authorities recommend an annual appraisal. The findings indicated that 42 per cent of the responding school districts were meeting this criteria; however, 27 per cent still used a five-year reappraisal period. In the first five-year study, Simpson (62) stated that 76 per cent of the participating districts did not appraise their property as frequently as recommended by insurance authorities.

The selection of the official who does the actual appraising to determine valuations is very important. The majority of the insurance authorities have maintained that this important phase of the insurance program should be completed by professional appraisers. However, the present study indicated that only 14 per cent of the participating schools were using professional evaluations and that this was only a 3.9 per cent increase over the 1958 survey. This could be considered another area in which the Iowa school districts were not administering the insurance program in compliance with the recommendations of insurance authorities.
Insurance engineers were still appraising the majority of the Iowa school property.

The literature on school insurance written by people knowledgeable in the field agrees that insurance policies of a given type should have a common expiration date each year. Also the insurance program should be distributed so that the annual premium payment is approximately equal. The findings were good in this area with 66 per cent of the reporting districts indicating that these principles were followed.

The use of an insurance record system should be adopted by all school districts to give quick, reliable information when needed. This study indicated that only 40 per cent of the school districts had complied with this practice. Therefore, this was another area in which Iowa school districts could improve their insurance procedures.

The distributing of school insurance is still an area in which much improvement could be made. Approximately 68 per cent of the Iowa school insurance was placed with local agents or local insurance associations. Some insurance authorities maintain that this is the lowest form of insurance management. The method most often recommended is some form of competitive bidding. Of the responding Iowa public high school districts, 27 per cent indicated that they were using some form of competitive insurance procedures in the placement of their insurance. This is a marked increase over the previous five-year study which found only 17 per cent using competitive methods. There has been some improvement in this area since the time the questionnaire was returned; the investigator has personal knowledge of five additional school districts which have bid their insurance.

There are several legitimate ways that the cost of insurance can be
reduced; (1) use of term insurance; (2) use of co-insurance; (3) correction of hazards; (4) use of a package plan (public and institutional property and special multi-peril); or (5) competitive bidding. The instrument was structured so that the responding school official was requested to mark the major economy principle utilized to reduce the cost of school insurance. Of the responding school districts, 51 per cent stated that the use of a package insurance policy was the prime method used to reduce insurance costs. This was the reply most often selected by the respondents. According to the literature, a savings of 15 to 40 per cent is possible with the use of package insurance policies.

**Fire and extended coverage insurance**

The basic coverage of fire insurance is for fire and lightning; however, there are numerous endorsements and riders that may be added to the basic policy. One of the endorsements which may be added is the coinsurance clause. Under a coinsurance agreement, the insurer grants a reduced rate in return for which the insured agrees to bear part of his own loss as a co-insurer. Only 13 per cent of the responding school districts indicated no coinsurance presently being carried. In the previous study by Simpson (62), 80 per cent was the most common endorsement, while the present study indicated that almost half of the districts are using the 90 per cent clause. The current study indicated that the 80 per cent clause was carried by only 20 per cent of the school districts. One of the prime reasons for this is that the new package form of coverage requires the 90 per cent coinsurance clause.

Many school districts in Iowa now use the replacement value insurance
coverage. The present study indicated that 76 per cent of the responding districts utilize replacement value insurance. This type of coverage is recommended by the insurance authorities. In this area, school officials are following the accepted practice.

In the previous study, only one school reported the use of a deductible clause. The present research indicated that 66 per cent of the school districts now utilize this means of reducing the insurance premium. If the insured agrees to absorb a given amount of each loss, the insurance carrier will reduce the premium paid. The reduction is possible because the company does not have the cost of processing a number of small claims. Among the three classes containing the larger school districts, 85 per cent or more of the school districts made use of the savings possible through deductibles. The school district groups with the smallest enrollments had the fewest schools using this accepted insurance practice.

There is economy in purchasing insurance contracts for periods longer than one year. The rate reductions result from minimizing the clerical work required of the insurance carrier in writing new insurance policies each year. It is interesting to note that in the Simpson (62) study 79 per cent of the school districts were carrying five-year insurance policies; while in the current survey, only 40 per cent of the school districts were carrying this long-term coverage. The reason is that insurance companies writing package insurance are reluctant to write coverage for a period longer than three years. As will be discussed later, a large number of school districts are carrying the popular package form of insurance.

The utilization of the vandalism and malicious mischief insurance coverage is on the increase. In the present study almost 88 per cent of
the school districts reported the use of this type of insurance. In the previous study, only 27 percent of the districts utilized this insurance endorsement. It is interesting to note that the larger school districts located in the urban areas, which supposedly have higher juvenile delinquency rates, have the lowest percentage carrying vandalism and malicious mischief coverage.

The fire insurance coverage on a school structure may be written as a specific or blanket policy. It is becoming more common to utilize the blanket form for school fire insurance that covers the buildings and contents at more than one location. This is the form commonly recommended by insurance authorities. In this area, there has been a complete reversal from the previous study. Simpson's (62) research indicated that 63 percent of the respondents were at that time utilizing a specific fire schedule form. The present research indicated that 67 percent of the responding districts reported the use of the blanket building and contents contract.

The advantages of the blanket coverage are: (1) all property designated on the blanket form is covered; (2) property may be moved from one location to another; (3) a single-average rate applies; (4) administration of the insurance program is simplified; (5) loss adjustment is easier and there is less probability of an insurance penalty; and (6) new construction is covered automatically (2, p. 40).

The definition of the term, loss ratio, is the ratio of loss to premiums paid (32, p. 12). Historically, there has been a low loss ratio to premiums paid by public school districts. The various insurance studies completed in Iowa have all reported a low loss ratio to premiums paid.
Simpson's (62) study showed that for the 560 responding districts, the fire insurance ratio over the five-year period (1953-1958) was approximately 40 per cent. The current research indicated a loss ratio of 36.9 per cent. The competitive bidding of insurance programs and the use of package insurance should provide for better loss ratios to premiums paid in the years ahead.

In the previous study by Simpson, there was a reported aggregate amount of fire and extended coverage insurance in force as of June 30, 1958 of $358,000,000. The current research indicated that the Iowa public high school districts had limits in force of $429,000,000 on June 30, 1965.

Insurance is currently available to cover almost any risk. At the present time, the new package policies under which a large number of liability and property risks can be covered are becoming very popular. In 1961, insurance companies recognized the need to modernize public school insurance coverage and introduced the Public and Institutional Property Form (58, p. 64). In 1964, another landmark was reached when the Special Multi-Peril (package) insurance was made available to schools with additional savings (58, p. 64). The new insurance places most of the essential coverages in one package with one premium under one policy written by one agent with one company.

There are certain required procedures which are mandatory when these forms are used; however, the savings more than offset these requirements. The package policies require: (1) a coinsurance clause of no less than 90 per cent; (2) property must be inspected quarterly; and (3) property values must be adjusted annually (8, p. 78). In the present study, 73 per cent of the reporting districts indicated that they were using some type
of a package insurance contract. This is another well-accepted recommended insurance principle which the majority of the Iowa school officials have adopted.

**General liability insurance**

The school districts in Iowa operate under the general concept of public immunity. Simpson (62) stated in his study that general liability insurance in Iowa school districts is unauthorized since the 1957 Opinion of the Iowa Attorney General expressed the premise that public school districts in Iowa are immune from liability. However, there were 34 per cent of the respondents in the first five-year study that were carrying such insurance. The current research indicated that 74 per cent of the responding school districts, as of June 30, 1965, were carrying general liability insurance.

In a recent negligence case brought by a claimant for damages against a school district, the Supreme Court of Iowa upheld the governmental immunity concept. However, recent court decisions in other states have decreed that school districts are liable. In the judgment of the researcher this recent trend away from governmental immunity prompted the majority of the Iowa school districts to acquire this type of insurance coverage.

A waiver of governmental immunity is usually included in liability contracts. The reason is that the school district would be paying a premium without any return if the insurance company could claim governmental immunity by virtue that the school is not liable. In the judgment of the researcher, many school officials must not understand the "waiver provision" because only 35 per cent answered in the affirmative that their
insurance contract contained such a clause. The Iowa public high school districts have experienced a low loss ratio of premiums paid, thereby making an Iowa school district a good general liability risk. The findings indicated that the insurance carriers have returned in the form of claims paid only 20 per cent of the premiums.

**Fidelity bonds**

The Iowa law requires that both the treasurer and the secretary to the board file surety bonds. A public official bond is the type of fidelity bond that is required by law. Since this coverage is mandatory, the question in the instrument was structured to cover the type of fidelity insurance coverage on other school employees. Blanket bonds are recommended by most school insurance experts. The advantages of blanket bonds are: (1) all school district employees are covered, (2) all persons are covered automatically without notifying the company as soon as they are employed, and (3) the premium remains stable during the term of the policy (43, p. 310). Most of the Iowa school officials were practicing an accepted insurance principle in respect to fidelity bond coverage at the time of the survey. The findings indicated that almost 50 per cent of the school districts were using the blanket position bond while 21 per cent were utilizing the commercial blanket coverage.

Simpson (62) reported a loss ratio of only 1.1 per cent for all classifications of Iowa public high school districts for fidelity bond coverage. The current study indicated a loss ratio of only 2.8 per cent, which is still extremely low. It is interesting to note that the schools in Groups I and II reported only one $10 loss.
Boiler insurance

Boiler insurance was developed to provide protection against losses resulting from the explosion or rupture of pressure-type vessels. According to Allen (2, p. 86) the inspection services provided by this type of coverage has resulted in increased safety in the operation of machinery and pressure vessels. Boiler and machinery insurance is based on the premise that accidents involving this type of equipment can be prevented by proper engineering and inspection services, thereby stabilizing the losses at a point whereby a sound insurance plan at a reasonable rate is possible (2, p. 86).

It is generally accepted assumption that a broad form of coverage provides more for the premium dollar. The broad form coverage in addition to explosions also covers the bulging, burning, or cracking of a pressure vessel. The question on the instrument was structured to determine the type of boiler insurance most frequently carried by the Iowa public high school districts. The data indicated that the majority of Iowa school districts were following another recommended insurance procedure on June 30, 1965, since 91 per cent of the responding school districts were using the broad form coverage.

The aggregate amount of boiler insurance in force on June 30, 1958, was $26,000,000, while the present research indicated limits of $57,000,000 in force. The loss ratio for the 1960-1965 period was 13 per cent. However, one must remember that a portion of boiler premiums are paid for the safety inspection service.
Money and securities insurance

There are several kinds of coverages available to protect the district from the loss of funds from outside sources. Since burglary or robbery coverage must involve some form of violence before the insurance carrier is liable for the loss, the new money and securities coverage insurance is considered a better insurance form to carry.

A loss of money or securities may occur without either a burglary or robbery taking place. The loss may be by mysterious disappearance or by theft, either of which would not be covered by a burglary or a robbery policy. The advantages of using a money and securities policy is that it indemnifies the insured for all losses of funds caused by the actual destruction, disappearance, or wrongful abstraction within the premises (1, p. 81). The current study indicated that 53 per cent of the school districts are presently carrying some type of insurance to protect against a loss of money or securities. The loss ratio reported for the five-year period (1960-1965) was approximately 35 per cent on 160 insurance claims. Many schools do not carry an insurance policy of this type because the premium cost is high. These schools usually make use of a night depository at a local bank and do not keep funds overnight.

All-risk insurance

An all-risk insurance policy is basically a form of coverage designed to cover losses resulting from virtually all perils. Many school districts presently carry this type of coverage on equipment such as movie projectors, radios, cameras, musical instruments, and other items which are moved from building to building. This type of protection is provided
by Inland Marine insurance through the issuance of floater policies (43, p. 415). The protection offered by this insurance form is extensive and only ordinary wear and tear, depreciation, and mechanical breakdown are excluded. In the current research, 77 per cent of the responding districts utilized this form of coverage. In the previous study, only about one-half of the responding districts were then using some form of an all-risk policy. The aggregate amount of limits in force has also almost doubled with approximately $6,000,000 being reported as of June 30, 1965, with a loss ratio of 26 per cent on 2,071 claims.

**Workmen's compensation**

Workmen's compensation is insurance to cover liability imposed by law upon employers to compensate employees for injuries sustained from accidents arising in the course of their employment (2, p. 61). The Iowa law does not make it mandatory for a school district to carry workmen's compensation insurance; however, a school corporation is liable for injuries to employees (35, Ch. 87.1).

The premiums charged are treated differently than other types of insurance and the period of the policy is usually one year. The rates which are established for various occupations vary according to hazards and are subject to approval by the State Commissioner of Insurance. For the five-year period, there were 4,470 claims with a loss ratio to premiums paid of 37 per cent.

**Transportation insurance**

Motor vehicle insurance covering the risks involved in owning, operating, and maintaining equipment of this type is concerned with physical
damage to the equipment itself and the liability of the owner for physical
damage done to the property of others and for the injury to and/or death
of others including the students (69, p. 24). The automobile bodily injury
policy covers the liability which may be imposed upon the insured, by law,
for bodily injury caused by accidents (1, p. 544). Property damage cov­
erage is usually written with the bodily injury policy and protects against
liability for damage to the property of others.

Data contained in the current research indicated that 98 per cent of
the responding school districts are presently carrying bodily injury and
property damage liability insurance on school owned motor vehicles. Also,
many school districts are carrying a broad coverage type of endorsement
which covers the district for any liability incurred while a non-owned
vehicle was being operated in behalf of the school district.

The limits of coverage have increased rapidly in recent years. The
common coverage limit carried by many school districts in 1941 was $10,000;
$100,000; and $5,000 (43, p. 219). Simpson's study (62) found that the
majority of school districts were still utilizing these limits in 1958.
The present investigation revealed that the majority of school districts
were carrying $100,000; $300,000; and $10,000 coverage limits. The first
amount indicated above is for bodily injury per person; the second amount
is for bodily injury per accident, and the third figure is for damage done
to the property of others. Apparently Iowa school officials are aware of
the need for adequate liability coverage since larger amounts were carried
by the school districts. It was interesting to note that several school
districts in the state reported coverages of $1,000,000; $1,000,000; and
$10,000.
The data contained in this study indicated a good loss ratio for all the reporting districts of 49 per cent. Linn and Joyner (43) state that a 30 to 50 per cent overhead on insurance is a reasonable figure. If this is true, then a 50 per cent loss ratio might be considered reasonable.

Comprehensive vehicle insurance coverage includes breakage of glass, loss caused by falling objects, fire, theft, explosion, earthquake, windstorm, hail, water, flood, vandalism and riot or civil commotion (44, p. 209). The motor vehicle comprehensive insurance is an all-inclusive policy covering all risks except collision and liability.

Of the reporting school districts in the present study, 92 per cent were utilizing a comprehensive endorsement. The loss ratio for this type of coverage was reported to be 67 per cent, which is extremely good.

Collision insurance protects against direct or accidental damage to owned or leased vehicles. Collision coverage may be written on a full coverage basis; however, most districts utilize a deductible clause varying from $50 to $500 because of the premium savings possible. In the current research, 56 per cent of the responding districts indicated the use of a collision insurance policy on vehicles owned by the district. The most common deductible clause was reported to be $100.

Medical payment insurance is another form of vehicle insurance coverage which was carried by 96 per cent of the responding districts on June 30, 1965. The medical payments contract requires the insurance carrier to pay for medical expenses up to a stated amount regardless of negligence or liability. This is an accident form of coverage and does not replace liability insurance.

Medical payment insurance might be considered a type of social
insurance since the owner of the insured vehicles may desire a medical clause for persons injured while riding in the motor vehicle. The medical payment endorsement to a liability policy provides for reasonable expenses for medical, surgical, ambulance, or funeral services on behalf of any person injured in an accident covered by the policy (44, p. 176). The most common limits for medical payments insurance were reported to be $1,000, while seven school districts reported a $2500 limit and seven other districts replied that a $5000 limit was utilized.

Summary

The school officials of Iowa as of June 30, 1965, were utilizing many of the recommended insurance practices. The use of liability coverage and of moneys and securities insurance has increased rapidly in recent years. Also, workmen's compensation insurance is carried by almost every school district.

There seems to be little choice between a mutual and stock carrier and the services rendered by both were reported to be satisfactory. In several recent lettings, stock companies have been successful bidders according to information reported to the researcher.

It is the opinion of the investigator that the Iowa school districts are doing an excellent job of following accepted practices in the field of motor vehicle insurance. Some of the improvement in motor vehicle insurance practices might be due to the transportation manual issued by the Department of Public Instruction. Some of the areas of deficiency were: (1) not using a professional appraiser; (2) not using a professional insurance guide for company selection; and (3) not utilizing competitive
bidding procedures.

There has been a wide acceptance of the package insurance forms which has provided broader coverage at less cost. An evaluation of the findings indicated a great deal of improvement in the use of recommended insurance practices; however, there is still opportunity for considerable improvement.
CHAPTER VI. SUMMARY AND RECOMMENDATIONS

The purpose of this chapter is to summarize the important points of the insurance literature and the major findings of the study. Since the procedures used in the study were discussed in the previous chapter, a summary of these methods would not seem necessary in this section.

Summary of Insurance Literature

1. The three distinct ways of insuring school property are:
   (1) commercial insurance, (b) state insurance, and (c) self-insurance.

2. The newest development in the school insurance field is the Public and Institutional Property form and the Special Multi-Peril Institutional contract.

3. Precise up-to-date appraisals and inventories are required in order to know how much insurance to buy and to have acceptable records to prove dollar value in the event of a claim.

4. Allen (2, p. 88) recommends that school districts use a professional appraisal firm whose valuations will be both expert and unbiased.

5. Most insurance authorities recommend that districts take advantage of 80 or 90 per cent coinsurance because of the greater coverage for the proportionately smaller premium.

6. School districts can realize considerable savings in the cost of fire insurance through the use of deductible clauses.
These endorsements provide that an amount agreed upon will be covered by the insured, and the carrier does not participate in the loss unless it is greater than this amount.

7. In the insurance industry, a specific rate refers to one which has been assigned to a particular structure. Such rates are developed after inspections and surveys are made of individual risks. Usually fire insurance rate making is delegated to an office or bureau established for that purpose.

8. One of the many methods which can be used to reduce the cost of property insurance is a term insurance contract. Insurance carriers will usually charge a lower rate if policies are purchased for a period of three to five years.

9. Extended coverage is usually included by adding an endorsement to the fire insurance contract, and it pertains to losses sustained by causes other than fire. This extends the insurance to cover loss caused by windstorm, hail, explosion, riot attending a strike, civil commotion, aircraft, vehicles, and smoke (34, p. 8).

10. There appears to be a growing trend toward competitive bids on insurance contracts. This method gives all agents a chance to compete for the business of the district.

11. A fidelity bond is one which indemnifies employers from losses resulting from dishonest acts of bonded employees.

12. Some methods used to provide economies in school insurance are: (a) the use of fire-resistive construction, (b)
systematic surveys of hazards, (c) term policies, and (d) package type coverage.

Summary of Results

The major findings of Chapter IV regarding administrative insurance practices in the Iowa public high school districts for July 1, 1960 to June 30, 1965, are summarized as follows:

1. The responding school districts reported that 89.3 per cent purchased insurance from stock insurance companies, and 86.6 per cent purchased insurance from mutual companies.

2. The services rendered by insurance carriers, both mutual and stock, were satisfactory.

3. The responding school districts with smaller enrollment were using more mutual company insurance coverage than the larger districts.

4. Motor vehicle insurance and workmen's compensation insurance were the only two types of school insurance coverage in which mutual companies had the majority of the business.

5. Services rendered by a local insurance agent or companies recommended by a local agent were the primary factors in selecting insurance carriers.

6. In 231 or 52.1 per cent of the responding school districts, the managerial responsibility for the insurance program was placed in the hands of a school official; while 149 districts, or 33.7 per cent of the responding schools, still assign this responsibility to the board of education or an individual.
board member.

7. Of the responding school districts, 184 or 41.7 per cent, appraised their property annually as is recommended.

8. The responding school districts reported that 290 schools, or 65.8 per cent, used insurance company engineers for appraisals; while only 51 districts, or 13.8 per cent, utilized the services of a professional appraising firm.

9. An adopted insurance record form was used by 174 schools, or 39.5 per cent of the responding districts.

10. There were 294, or 66.6 per cent of the responding school districts, that reported a common expiration date for their insurance policies; and 406, or 92.0 per cent, with insurance premiums of approximately equal amounts each year.

11. Of the responding school districts, 118 or 26.7 per cent, utilized some form of competitive bidding; while 298 schools, or 67.6 per cent, still distribute their insurance to local agents or local insurance associations.

12. There were 155, or 35.1 per cent of the responding school districts, that reported the use of a chief insurance adviser. Of the school districts using the services of a chief insurance adviser, 71, or 45.8 per cent, placed a larger share of the business with the consultant; while 75, or 48.4 per cent, did not compensate the insurance adviser.

13. Of the responding districts, 226, or 51.3 per cent, reported the prime method used to reduce insurance costs was the utilization of either a Public and Institutional Property or a Special Multi-Peril Institutional policy.
Fire and extended coverage

The major findings in Chapter IV regarding fire and extended coverage insurance are summarized as follows:

1. From July 1, 1960 to June 30, 1965; $1,847,841 was paid in premiums for fire insurance by 441 Iowa public high school districts.

2. No public high school districts in Iowa were self-insured.

3. The 90 per cent coinsurance clause was most frequently used as reported by 208 school districts, or 47.2 per cent of the responding districts. There were 88 schools, or 20 per cent of the responding school districts, that were using the 80 per cent coinsurance clause.

4. In 293 districts, or 65.8 per cent of the reporting schools, a deductible clause was carried.

5. Of the responding school districts, 337 or 76.4 per cent reported the use of replacement value coverage.

6. The most common period of fire and extended coverage insurance as indicated by 200 schools, or 45.3 per cent of the reporting districts, was a five-year plan; while 73 schools, or 16.5 per cent, were utilizing a three-year plan.

7. The use of vandalism and malicious mischief coverage is on the increase; the present study indicating that 387 schools, or 87.8 per cent of the reporting districts, were carrying this type of coverage on June 30, 1965.

8. Some districts still utilize a specific schedule buildings-and-contents type of insurance policy; however, the majority
of the districts, or 66.7 per cent of the reporting school corporations, were carrying blanket building and contents coverage.

9. Of the responding school districts, the fire insurance loss ratio of premiums paid for the five-year period was 36.9 per cent with a high of 55 per cent in Group I and a low of 22.2 per cent in Group III.

10. The average fire loss reported by the responding school districts for the five-year period was $743 on 917 claims.

11. Of the 441 responding districts, the aggregate amount of fire and extended coverage insurance in force, as of June 30, 1965, was $429,216,038.

12. The aggregate amount of the sound value of all buildings as reported by 404 districts was $753,050,615 for an average value per district of $1,863,986.

13. The aggregate amount of contents insurance reported by 369 public high school districts was $74,054,259 for an average contents insurance value of $200,689.

14. Of the responding school districts, 249, or 56.5 per cent, were using the Public and Institutional Property form; and 73, or 16.6 per cent of the school corporations, were utilizing the newer package form of Special Multi-Peril coverage.

15. There was a total of 322 districts, or 73.1 per cent of the school corporations, that were using either Public and Institutional Property or a Special Multi-Peril Institutional form on June 30, 1965.
General liability insurance

The major findings of Chapter IV regarding general liability insurance are summarized as follows:

1. The school districts in Iowa operate under the general premise of governmental immunity.

2. The Simpson (62) study of 1960 indicated that 186 school districts, or 33.5 per cent of the respondents, were carrying general liability insurance. The findings of the current research show that 324 districts, or 73.5 per cent of the Iowa public high school districts, were carrying this type of coverage on June 30, 1965.

3. Of the responding districts, 103 or 34.6 per cent reported the inclusion of a waiver of governmental immunity defense clause in the liability insurance contract.

4. Only 57 school districts completed all of the questions in the loss ratio of premiums section of the instrument. These schools reported an aggregate amount of $157,440 paid in premiums and 191 claims for $31,313 or a loss-ratio of 19.9 per cent. A limitation of the loss ratio data was that many of the responding districts did not complete the entire series of questions necessary to compute an accurate average for the entire population. Although 324 districts reported general liability coverage, only 57 completely answered all questions pertaining to the loss ratio data.

5. Pupil accident insurance was made available to the students by 415 school districts, or 98.1 per cent of the respondents.
Fidelity bonds

The major findings of Chapter IV regarding fidelity bonds are summarized as follows:

1. Blanket bond coverage is now becoming very popular with 92 schools, or 20.8 per cent, using a commercial bond type of insurance and 213 districts, or 48.3 per cent, utilizing a blanket position type of bond coverage.

2. The aggregate amount of premiums paid for fidelity bond coverage was $199,663 and $5,515 was paid by the insurance carriers on six claims for a loss ratio of premiums paid of 2.8 per cent.

Boiler insurance

The major findings of Chapter IV regarding boiler insurance are summarized as follows:

1. All of the 406 school districts that completed this section of the instrument indicated the use of boiler insurance.

2. Of the 406 responding districts, 370, or 91.1 per cent, of the school corporations signified the use of the broad form coverage.

3. The 406 responding school districts reported the aggregate amount of boiler insurance in force, as of June 30, 1965, was $57,377,250.

4. The boiler insurance loss ratio of premiums paid over the five-year period was 13.3 per cent on 19 claims in the amount of $12,099. The total premiums paid for this period were
$912,655.

5. The average boiler insurance claim over the five-year period was $636 as reported by the responding districts.

6. Of the responding school districts, the highest amount of boiler insurance coverage in force was $1,000,000 and the most frequent amount of coverage was $100,000.

Money and securities insurance

The major findings of Chapter IV regarding money and securities insurance are summarized as follows:

1. As of June 30, 1958, there were 193 districts, or 35 per cent, of the reporting schools carrying some form of money and securities insurance. The present research indicated that 232, or 52.6 per cent, of the school corporations were utilizing some form of money and securities insurance as of June 30, 1965.

2. The aggregate amount of money and securities insurance in force on June 30, 1965, was $470,169.

3. The respondents reported that $59,369 were paid in premiums for the five-year period (1960-1965) and $22,998 was returned on 160 claims for a 38.7 per cent loss ratio.

All-risk insurance

The major findings of Chapter IV regarding all-risk insurance are summarized as follows:

1. There were 340 districts, or 77.1 per cent of the respondents that used all-risk coverage as of June 30, 1965.
2. The 340 responding school districts reported the aggregate amount of all-risk insurance in force, as of June 30, 1965, was $5,825,025.

3. The responding school districts indicated that $230,859 was paid in premiums for the five-year period and $61,240 was paid back on 2,071 claims for a loss ratio of 26.5 per cent.

Workmen's compensation

The major findings of Chapter IV regarding workmen's compensation are summarized as follows:

1. For the five-year period 270 school districts reported 4,470 claims and $1,177,175 were paid in premiums.

2. The 270 districts which completed the entire series of questions regarding workmen's compensation indicated that $433,639 was returned in the form of claims for a 36.8 per cent loss ratio.

Transportation

The major findings of Chapter IV in regard to motor vehicle insurance is summarized as follows:

1. Legal authorization for Iowa school districts to purchase motor vehicle insurance has been in effect since 1949.

2. Motor vehicle bodily injury and property damage liability insurance was carried by 431 school districts, or 97.7 per cent, of the respondents.

3. The most common amounts were $100,000 bodily injury per person, $300,000 bodily injury per accident, and $10,000
property damage. The highest amounts reported were: $1,000,000; $3,000,000; and $100,000.

4. Of the responding school districts, the motor vehicle liability insurance loss ratio of premiums paid over the five-year period was 49.2 per cent on 1,275 claims.

5. Motor vehicle comprehensive insurance was carried by 405 school districts, or 91.8 per cent of the respondents.

6. The responding school districts reported $214,779 paid in premiums and $144,195 returned on 2,787 claims for a loss ratio of 67.1 per cent for motor vehicle comprehensive insurance.

7. Motor vehicle collision insurance was carried by 245 schools, or 56.0 per cent of the respondents.

8. There were 242 districts that reported the use of a deductible clause on vehicular collision insurance with 115 schools, or 47.5 per cent, utilizing the $100 clause. This was the deductible clause that was the most often indicated.

9. Motor vehicle medical payment coverage was carried by 424 school districts, or 96.1 per cent of the respondents.

10. The most frequently reported medical payment limit was $1,000 with 189 school corporations, or 45.2 per cent of the respondents, carrying this amount as of June 30, 1965.

Comparative data of the two five-year studies

The major comparative findings as reported in Chapter IV are summarized as follows:
1. In all but four of the 21 selected practices that were compared, there was evidence of improvement. The areas which did not show improvement were: (1) fewer schools with five-year term insurance coverage; (2) a lower loss ratio in the area of fire insurance, extended coverage, and vandalism and malicious mischief coverage; (3) a lower loss ratio in the area of money and securities coverage; and (4) a lower loss ratio in the area of all-risk insurance coverage.

2. Some of the major areas of improvement were: (1) annual appraisals up 30.2 per cent; (b) concurrent expiration dates up 18.2 per cent; (c) use of a 90 per cent coinsurance clause, an increase of 24.9 per cent; and (d) use of blanket building and contents form, up 29.7 per cent.

3. Additional insurance areas which were compared are: (a) use of general liability, up 40.0 per cent; (b) motor vehicle liability insurance loss ratio to premiums paid, up 34.5 per cent; and (c) motor vehicle comprehensive insurance loss ratio to premiums paid, an increase of 39.4 per cent.

Recommendations for Insurance Practices

Insurance is a very complicated business; therefore, it is suggested that certain principles and techniques should be followed when purchasing insurance to assure that the best results for the school districts are obtained. The comparison of the Simpson (62) study and the findings of this research seem to indicate that the Iowa public high school districts have improved their insurance practices. On the basis of the findings of this
study and the general insurance principles suggested in the literature, the following recommendations are made:

1. **The administering of the insurance program** should be assigned to the appropriate school official, usually the superintendent or business manager. An insurance adviser should be employed to assist in the total insurance program. This consultant can be an experienced insurance agent highly knowledgeable in school insurance.

2. **An accurate evaluation of school property** should be ascertained by a reliable appraiser. The use of a professional appraisal company is recommended so that insurance carriers can provide proposals based on a reliable building evaluation. All appraisals should be revised on an annual basis.

3. **The type of insurance coverage** desired should be determined. A Public and Institutional Property or a Special Multi-Peril form is suggested whereby most of the coverages can be included in one package with one company. Many districts have included the following coverages in one package; fire insurance; extended coverage; vandalism and malicious mischief; property floater insurance covering musical instruments, band uniforms, visual education equipment, and business machines; boiler insurance; comprehensive general liability insurance vehicular insurance; fidelity bonds; money and securities insurance. Workmen's compensation usually is not included in the package.

4. **The types and variety of alternates** desired by the district, such as: how much coinsurance, the various deductibles and the
amounts, and the various limits of fire, liability, bodily injury and property damage coverage should be determined. There are a great variety of endorsements that can be included on almost any insurance contract.

5. **A detailed set of insurance specifications** should be developed so that all proposals or bids are for the same coverage. An insurance adviser would be invaluable in assisting in this task. The Association of School Business Officials has developed considerable information in this area which could be extremely helpful. The purpose of the specifications is to give all possible information to the insurance companies. The better the specifications, the more satisfactory the proposals or bids from the carriers will be to the district.

6. **The district should request a list of all insurance hazards** on which an extra charge is being paid. This can be secured from the inspection rate bureau or the present insurance carrier. The hazards should be corrected and penalties eliminated when feasible.

7. **An adequate insurance record system** should be adopted. A school should maintain detailed records of losses to determine loss patterns; this will help to plan for adjustment of coverages.

8. **A policy period for the insurance program** should be established. Insurance coverage should be purchased on a term basis with annual premiums paid in equal installments. This practice will result in an insurance savings for the school
district.

9. **The selection of an insurance carrier is of utmost importance.**
Ratings and evaluations are given in publications such as Best's Insurance Guide and can be used to determine the minimum requirements for the carrier that are acceptable. Allen (2) recommends that no company be considered whose rating is less than A+:AA or A:AAA. These minimum standards can be placed in the specifications, thereby excluding all carriers that do not meet them.

10. **The placement of the insurance program on a competitive basis** is suggested, since this method can lead to substantial savings for the district.

11. **The inventories of equipment and contents** should be revised annually and these records, along with building values, should be duplicated and at least one copy placed in a fireproof location away from the school property. This is necessary so that satisfactory records are available to prove the value of property or equipment in case of a loss.

**Recommendations to the Department of Public Instruction**

The following recommendations are suggested to the Department of Public Instruction for consideration.

1. A school business consultant knowledgeable in the area of insurance should be employed by the Iowa Department of Public Instruction to assist the public school districts with their insurance programs.
2. The Iowa Department of Public Instruction should give consideration to the publication of a school insurance handbook for distribution to the public school districts of Iowa.

3. The Iowa Department of Public Instruction should continue gathering information regarding insurance premiums paid and losses collected by the Iowa public school districts. This data could be collected on the Secretary's Annual Report.

4. The Iowa Department of Public Instruction should cooperate with an institution of higher learning in presenting a workshop, for public school administrators, regarding recommended insurance practices and procedures.

Recommendations for Further Studies

In the judgment of the investigator, the following areas of school insurance merit additional study and research.

1. The feasibility of a state insurance fund for the Iowa public school districts merits extensive research.

2. A carefully conducted research study of the loss ratio of a selected sampling of Iowa public high school districts is suggested. To obtain a completely accurate loss ratio study, it may be necessary for an investigator to audit both the insurance company's records and the school district's books.

3. A study should be made regarding the possibility of "save-the-harmless" legislation for teachers, similar to the laws adopted in other states.

In conclusion, decided improvement has been made regarding the use of
recommended school insurance practices by Iowa school officials. However, there are still many areas where additional improvement could be made.

In considering the purchase of insurance coverage, it should be recognized that insurance is a very complicated and technical matter. Insurance requires the attention of a competent administrator who can devote the necessary time and interest to the school district's program.

Since insurance is undergoing continual change, the program must be revised frequently. New coverages are becoming available and they should be incorporated into the total school insurance program to provide the most protection in return for the premium dollar.
CHAPTER VII. LITERATURE CITED


24: Gardner, Dwayne E. School insurance guide for Nebraska. Lincoln, Nebraska, State Department of Education. 1957.


CHAPTER VIII. ACKNOWLEDGMENTS

This study has been possible only with the cooperation of many individuals and organizations, and the officials of the Iowa public high school districts. The researcher wishes to express his sincere appreciation for their assistance.

Special thanks is extended to Paul F. Johnston, Iowa State Superintendent of Public Instruction, who suggested the project; and to Evelyn Nielsen, Supervisor, Data Processing, Iowa Department of Public Instruction, who directed the processing of the data and assisted in the structuring of the questionnaire to accommodate machine methods. The investigator is indebted to Ruth Swain, Secretary, who assisted with typing, mailing, and editing of the questionnaire.

Appreciation is extended to my committee, especially to Dr. Richard Manatt, who supervised the research, and to Dr. Ray Bryan, Chairman, who gave encouragement and guidance throughout my entire graduate program.

The researcher is also deeply indebted to his wife, Ardith, and the children, James, Randal, Jill and Douglas, for their patience and understanding.
Dear Superintendent:

Please find enclosed three copies of a questionnaire concerning SCHOOL INSURANCE. One copy is a work copy, one is for your file, and the other copy should be returned to this office.

This is the first step of a five year Insurance Study (1960-1965) which is currently being undertaken by M. Gene Coffey for the Department of Public Instruction. In developing this study, it was determined that a PILOT examination of the questionnaire by local school districts would be advisable. Therefore, ten districts were selected for that purpose, of which, your district is one. From the return of these instruments, the questionnaire will be developed for mass mailing to all districts. Please write your evaluation and suggestions for improvements on the last page. Your criticism will be appreciated since this will assist in the development of the instrument in its final form.

Please note that this form covers a five year period including the current (1964-1965) school year. Therefore, it may not be possible to complete the questionnaire in its entirety until after your books are closed.

We realize that you are extremely busy at this time, however, to be of the most value, the instrument should be mailed to all districts immediately after the close of the present fiscal school year. It is important that this form be completed and returned to this office not later than July 5, 1965.

Please mark your intentions on the enclosed self-addressed card and return it to this office. Your cooperation in this matter is greatly appreciated.

Sincerely,

Richard N. Smith, Director  
Administration and Finance

RNS:rs  
Enc.
CHAPTER X.

APPENDIX B
Dear Superintendent:

Enclosed are three copies of a School Insurance Questionnaire regarding all aspects of the school insurance program. One copy is for your files and one copy should be returned to this office — the other may be used as a work copy.

The questionnaire covers a five year period (1960-1965) and should provide information which can be disseminated to school officials to assist them in improving their insurance programs. A similar study was completed in 1960, but since then many new policy forms and endorsements have become available. The original study provided invaluable information which was distributed to local school districts and played a large part in the improvement of school insurance practices in the State of Iowa. The present investigation should collect data that will assist in the evaluation of the improved insurance practices.

Data are requested concerning insurance premiums and losses for the five year period. The research necessary to provide the data may require considerable work. However, if valid figures are to be compiled, it is necessary to cover several years.

School officials of newly reorganized school districts may have additional work in attempting to secure data for the five year period. However, it is important to this study that an effort be made to determine the insurance data of all the component districts. Except for the financial questions, all others are short answers.

We realize that this is a busy time of the year, but the data to be of the most value should be as current as possible. If the School Board Secretary or the Business Manager has the major responsibility for the insurance program, please ask him to complete the instrument.

We wish to thank you for your assistance and cooperation in completing this questionnaire. We hope you will complete it fully so that accurate data may be collected.

Sincerely,

PAUL F. JOHNSTON
State Superintendent of Public Instruction

PFJ:rs
State of Iowa  
DEPARTMENT OF PUBLIC INSTRUCTION  
Paul F. Johnston, Superintendent  
Des Moines, 50319  

SCHOOL INSURANCE QUESTIONNAIRE  

School District Number__________

Name of School District______________________________________________________

Completed by_________________________Title______________________________

Instructions: Please circle the proper reply or complete the blanks as required.

PART A - ADMINISTRATION

Mutual Company

1. Does the District insure with a mutual company? (1) Yes, (2) No.

2. If "yes", what percentage of the insurance program is insured with a mutual company? _______%

3. What type of insurance does the District have with the mutual company?

(1) Fire and Extended Coverage, (2) Motor Vehicle,  
(3) Surety Bonds, (4) Boiler, (5) Liability,  

4. Have the transactions with mutual companies been: (1) Satisfactory, or (2) Unsatisfactory; If unsatisfactory, reason why____________________

Stock Company

5. Does the District insure with a stock company? (1) Yes, (2) No.

6. If "yes", what percentage of the insurance program is insured with a stock company? _______%

7. What type of insurance does the District have with the stock company?

(1) Fire and Extended Coverage, (2) Motor Vehicle,  
(3) Surety Bonds, (4) Boiler, (5) Liability,  
6. If "yes", what percentage of the insurance program (coverage) is insured with a stock company? ________%

7. What type of insurance does the District have with the stock company?


8. Have the transactions with stock companies been: ( 1 ) Satisfactory, or ( 2 ) Unsatisfactory; If unsatisfactory, reason why ________

9. What is the major consideration in selecting insurance companies? (mark one, only)

( 1 ) Service rendered by local agent;
( 2 ) Best's and/or Dunn's Ratings (Professional rating company);
( 3 ) Companies represented or recommended by a local agent or agents.
( 4 ) Premiums charged;
( 5 ) Others (please specify)________

10. Who has the major responsibility for handling the school insurance program? (mark only one)

( 1 ) Superintendent,
( 2 ) Business Manager or Board Secretary,
( 3 ) Board of Education or individual board member,
( 4 ) Insurance Advisor,
( 5 ) Local Agents Association,
( 6 ) Other, (please specify)________

11. How often is the school property appraised?

( 1 ) Annually, ( 2 ) Every two years, ( 3 ) Every three years,
( 4 ) Every five years, ( 5 ) Other, please specify________
School Insurance Questionnaire

12. Who does the major portion of the work in the appraising of school property? (mark only one)

(1) School Personnel,
(2) Professional Appraisal Services,
(3) Local Architects or Contractors,
(4) Insurance Company Engineers,
(5) Other, (please specify)

13. The insurable value of the contents of buildings is determined by:

(1) School Personnel,
(2) Professional Appraisal Services,
(3) Equipment Dealers,
(4) Other (please specify)

14. Has the District adopted an insurance record keeping form?

(1) Yes, (2) No.

15. Does the District have one common expiration date for each group or classification of insurance?

(1) Yes, (2) No.

16. Is an attempt made to make the premiums fall due in approximately the same amounts each year?

(1) Yes, (2) No.

17. How is the insurance distributed to companies and agents?

(1) Divided among local agents and/or brokers or placed with a local insurance association;
(2) Competitive bidding;
(3) Other (please specify)

18. Does the District have a chief insurance adviser or advisory board?

(1) Yes, (2) No.
19. If "yes", how is the chief insurance adviser or advisory board compensated for these services?

(1) Fee, (2) Larger share of business, (3) Do not compensate, (4) Other (please specify)

PART B - FIRE AND EXTENDED COVERAGE INSURANCE

20. Does the District have self insurance? (1) Yes, (2) No.


22. Percentage of co-insurance in force: (1) None, (2) 90%, (3) 80%, (4) 70%, (5) Other (please specify)

23. Does the District have replacement value coverage: (1) Yes, (2) No.

24. Is there a deductible clause in the coverage? (1) Yes, (2) No.

25. If "yes", what is the amount of the deductible clause for each loss? $

26. Method of paying premiums and policy term: (if combination, please circle item 6 and explain)

(1) Annual, (2) Three Year Plan, prepaid, (3) Three Year Annual Payment Plan, (4) Five Year Plan, prepaid, (5) Five Year Annual Payment Plan, (6) Other (please explain)

27. Does the District have an extended coverage endorsement on the fire insurance policy? (1) Yes, (2) No.
28. Does the District have a vandalism and malicious mischief endorsement? (1) Yes, (2) No.

29. Form of policy: (1) Blanket building and contents, (2) Specific schedule building and contents.

If blanket insurance is carried, please complete question 30.

30. (1) Limits of fire coverage insurance in force: $_________
(2) Total Premiums paid (including extended coverage and/or vandalism and malicious mischief), $_________
(3) Amount collected for losses July 1, 1960 to June 30, 1965 $_________
(4) Number of claims during this period__________

If specific schedule insurance is carried, please complete question 31, 32, and 33.

31. (1) Limits of fire coverage insurance in force: $_________
(2) Total premiums paid for fire insurance July 1, 1960 to June 30, 1965, $_________
(3) Amount collected for fire losses July 1, 1960 to June 30, 1965, $_________
(4) Number of claims during this period: __________

32. (1) Total premiums paid for extended coverage insurance July 1, 1960 to June 30, 1965: $_________
(2) Amount collected for extended coverage losses July 1, 1960 to June 30, 1965: $_________
(3) Number of claims during this period: __________

33. (1) Total premium paid for vandalism and malicious mischief insurance July 1, 1960 to June 30, 1965: $_________
(2) Amount collected for vandalism and malicious mischief insurance July 1, 1960 to June 30, 1965: $_________
(3) Number of claims during this period __________

34. What is the present total sound value (reproduction cost less depreciation) of all buildings (if unavailable, please estimate)? $_________
35. What is the present total insurance carried on all contents? 
$__________

36. Is the District's insurance written under either of the following (if a combination, please circle item 4 and explain):

( 1 ) Public and Institutional Property Plan;
( 2 ) Special Multi-peril Policy (Package Plan);
( 3 ) Individual policies;
( 4 ) Other (please explain)______________________________

PART C - - GENERAL LIABILITY INSURANCE

37. Does the District carry comprehensive general liability insurance?

( 1 ) Yes, ( 2 ) No.

38. If "yes", what are the limits?

( 1 ) Bodily Injury $__________ one person,
( 2 ) Bodily Injury $__________ one accident,
( 3 ) Property Damage $__________ one accident.

39. If the District carries general liability insurance, is there a waiver of governmental immunity defense included in the policy?

( 1 ) Yes, ( 2 ) No.

40. ( 1 ) Total premiums paid from July 1, 1960 to June 30, 1965: 
$__________

( 2 ) Amount collected for liability losses from July 1, 1960 to June 30, 1965: 
$__________

( 3 ) Number of claims filed during this period: ___________

41. Is general pupil accident insurance available? ( 1 ) Yes, ( 2 ) No.

42. What percentage of the pupils participate? ___________%
PART D - FIDELITY BONDS

43. Type of fidelity bond coverage:

(1) Individual Bonds written on individuals;
(2) Name Schedule Bond - written on two or more individuals listed on the same schedule.
(3) Position Schedule Bond - written to cover individuals which occupy certain positions.
(4) Commercial Blanket Bond - on all employees with a specific amount covering any loss regardless of the number involved.
(5) Blanket Position Bond - on all employees with a specific amount on each person involved in any loss.
(6) Other (please specify) __________________________

44. If Blanket Bond, amount applied to each employee: $___________
amount applied to each loss: $___________

45. (1) Total premiums paid from July 1, 1960 to June 30, 1965: $___________
(2) Amount collected for losses July 1, 1960 to June 30, 1965: $___________
(3) Number of claims during this period: __________

PART E - BOILER INSURANCE

46. Does the District carry a boiler insurance policy? (1) Yes, (2) No.

47. Type of boiler insurance: (1) Broad form, (2) Limited form.

48. (1) Limit of Liability under this boiler insurance policy: $___________
(2) Total premiums paid from July 1, 1960 to June 30, 1965: $___________
(3) Boiler losses collected from July 1, 1960 to June 30, 1965: $___________
(4) Number of claims filed during this period: __________
PART F - MONEY AND SECURITIES INSURANCE

49. Does the District carry insurance to pay for loss of money, checks, and other securities caused by burglary or robbery?
   (1) Yes, (2) No.

50. Does this insurance cover losses that occur away from the premises?
   (1) Yes, (2) No.

51. Is this insurance written on the so-called "Broad" form money and securities policy? (1) Yes, (2) No.

52. Limits of insurance in force: $

53. (1) Total premiums paid from July 1, 1960 to June 30, 1965: $
   (2) Amount collected for claims from July 1, 1960 to June 30, 1965: $
   (3) Number of claims filed during this period: 

PART G - ALL RISK INSURANCE

54. Does the District carry a Scheduled Property Floater Policy (cameras, projectors, radios, band uniforms, portable equipment, musical instruments, etc.)? (1) Yes, (2) No.

55. Limits of insurance in force: $

56. (1) Total premiums paid from July 1, 1960 to June 30, 1965: $
   (2) Amount collected for claims from July 1, 1960 to June 30, 1965: $
   (3) Number of claims filed during this period: 

School Insurance Questionnaire  

PART H - WORKMEN'S COMPENSATION

57. (1) Total premiums paid from July 1, 1960 to June 30, 1965: $__________
(2) Amount collected for claims from July 1, 1960 to June 30, 1965: $__________
(3) Number of claims filed during this period: ____________

PART I - TRANSPORTATION

58. (1) Number of school buses owned by the District: ____________
(2) Number of vehicles other than school buses owned by the District: ____________
(3) Number of leased vehicles for which insurance is furnished by the District: ____________

59. Are all vehicles covered under one policy? (1) Yes, (2) No.

60. Does the vehicle liability insurance include protection for the District for non-owned vehicles used in behalf of the district?
(as used here, non-owned includes hired vehicles)
(1) Yes, (2) No.

61. Does the District carry Bodily Injury and Property Damage Liability insurance on all owned and/or vehicles used by the District?
(1) Yes, (2) No.

62. Limits of Liability Insurance:
   Bodily Injury $__________ one person
   Bodily Injury $__________ one accident
   Property Damage $__________ one accident

63. (1) Total premiums paid for Vehicle Liability Insurance from July 1, 1960 to June 30, 1965: $__________
(2) Amount collected for liability claims from July 1, 1960 to June 30, 1965: $__________
(3) Number of liability claims filed during this period: ____________
64. Does the District carry Comprehensive physical damage (fire, theft, wind, glass, etc.) insurance on all owned vehicles? (1) Yes, (2) No.

65. (1) Total premiums paid for Comprehensive insurance from July 1, 1960 to June 30, 1965: $__________
   (2) Amount collected for Comprehensive claims from July 1, 1960 to June 30, 1965: $__________
   (3) Number of Comprehensive claims filed during this period: ______

66. Does the District carry Collision insurance on all owned vehicles?
   (1) Yes, (2) No.

67. If "yes", what is the deductible amount used in the policies:
   (1) $50.00  (4) $250.00
   (2) $100.00  (5) $500.00
   (3) $150.00  (6) Other (please specify)________

68. Does the District carry Medical Payments insurance on any vehicles:
   (1) Yes, (2) No.

69. If "yes", state amount of such coverage:
   (1) $500.00  (4) $5,000.00
   (2) $1,000.00  (5) Other (please explain)________
   (3) $2,500.00

70. Has the District's insurance plan been revised to give better coverage? (1) Yes, (2) No.

71. Has an attempt been made to reduce the District's insurance costs during the last five years? (1) Yes, (2) No.

72. If "yes", what was the prime method used? (mark only one)
   (1) Use of 3 or 5 year term policies,
   (2) Use of co-insurance,
   (3) Improvement of rate-charge conditions (hazards),
   (4) Use of a P.I.P. Insurance Plan,
   (5) Use of a Multi-Peril (Package) Plan,
   (6) Competitive bidding,
   (7) Other (please explain)____________________
CHAPTER XII.

APPENDIX D
Dear Superintendent,

On August 16, 1965, we mailed to your school district three copies of a school insurance questionnaire. To date, we have not received the completed questionnaire for your district.

As we explained in our original letter, the data requested will be of great importance to the administration of school insurance programs for the school districts of Iowa. This is a five year follow-up study of one completed in 1958 which provided invaluable information for the 1960 insurance bulletin issued from this office. We would anticipate that the present questionnaire would provide data for a new bulletin which could serve as a guide to local schools in organizing their insurance programs.

We realize this is a busy time of year, but data, to be of most value, should be as current as possible. We are enclosing two questionnaire forms for your convenience. One copy should be retained in your file and the other returned to this office as early as possible.

We wish to thank you for your assistance and cooperation in completing this questionnaire. We hope you will complete it fully so that accurate data may be collected.

Sincerely,

PAUL F. JOHNSTON
State Superintendent of Public Instruction

PFJ:rs
CHAPTER XIII.

APPENDIX E
June 12, 1964

Gentlemen:

The Board of Education of the Ottumwa Community School District, Wapello County, Iowa, desires to receive sealed proposals for "packaged" insurance. In order to be considered, all proposals must be in the office of the Business Manager at 205 East 5th St., Ottumwa, Iowa before 7:45 P.M. on July 13, 1964. At the time stated above all proposals will be opened and read aloud. Any interested persons may attend. No immediate decisions shall be rendered concerning the proposals submitted. All proposals submitted shall be valid for a period of at least thirty days from the date of opening. The only alterations which will be allowed in the proposals after the opening will be because of a change in published rates. It is possible that the Board will wish to interview agents and/or company representatives concerning their proposals. THE BOARD RESERVES THE RIGHT TO ACCEPT OR REJECT ANY OR ALL PROPOSALS.

The attached specifications are to be considered as minimum. In order to facilitate comparison, companies are required to quote on the protection outlined and on the form provided. Additional information, different methods of handling coverages, increased protection and so forth will be welcomed, but must be submitted separately as an alternate proposal for the Board's consideration. Such alternates should follow the forms prescribed, provide the information requested in the specifications and state the reasons for recommending the suggested insurance. Proposals must fully explain all the terms and conditions of the offer being made.

Policies shall be written for a maximum allowable term with an annual premium proposal basis. All companies and policies quoted shall be non-assessable. Coverage shall be effective August 13, 1964. It should be kept in mind that the Board is particularly interested in "packaged" coverage involving as few policies as possible. Separate policies may be proposed as you recommend.

The Board will consider proposals only from companies licensed in the State of Iowa and with a rating of A plus: AAAA or better in Best's Insurance Guide of 1964. (1963 if not published)

Signed:

Board of Education
Ottumwa, Iowa

Leighton P. Smith, Secretary and Business Manager
INFORMATION REQUESTED by Ottumwa Community School District

A. Name of proposed carrier (or carriers):

B. Best's rating, 1964, and please attach your latest financial report:

C. Claim and loss adjustment to be handled by: (give name, address and any other pertinent information)

D. Agency and/or Agency and Company through whom this insurance will be purchased: (Give name, address and any other pertinent information)

E. Dividends actually paid on similar insurance during the past five years:

F. Comment in the space below on any service your company renders in the field of loss prevention, safety, etc., affecting buildings and occupants:

G. Make a statement below, if you wish, of any other general information you feel might be of value to the Board in considering your proposal:
### Recapitulation and Index

**March 20, 1964**

Ottumwa Community School District

Ottumwa, Iowa

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<tr>
<th>Buildings:</th>
<th>Reproduction Cost</th>
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<th>Sound Value</th>
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**Grand Total**

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<td>$9 828 999 00</td>
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Below are listed the actual insurance checks received by the District during the past five years in all categories except Workmen's Compensation. During this period of time there have been no large claims under the General Liability policy but one small medical bill was paid because of a sliver from a piece of our equipment and another claim was paid when a bell-lyre instrument fell over in a practice session and cut the leg of a student. It was agreed by the district and the insurance company that the stand of the bell-lyre was rickety. Eight or ten years ago the District was held liable in two rather large claims, one where a child was burned in a burning pile of ashes and another when a child fell over an expansion joint in a sidewalk our men had laid. The first suit was for $10,000, the second for $2,500. Both were settled out of court, the insurance company paying most of the claim in each instance.

2/22/58  $ 99.50  Movie Projector stolen
7/1/58  9.34  Burglary - Evans
8/14/58  78.00  Thief damaged truck
1/23/59  181.25  Windstorm loss
2/14/59  263.00  "  "
3/11/59  213.74  Burglary - High
9/19/59  82.50  Windstorm loss
10/16/59  178.98  Lightning loss
10/21/59  54.49  Windstorm loss
10/3/60  65.00  Fire loss
11/10/60  733.49  Windstorm loss
12/10/60  240.49  Burglary - Office
1/7/61  72.95  Windstorm loss
3/30/61  144.45  "  "
1/12/62  165.00  "  "
6/18/63  132.45  Lightning, loss
7/1/63  8.32  Auto glass
8/30/63  200.00  Lightning loss
8/30/63  89.75  Windstorm loss
10/16/63  567.00  Fire loss, dryer

2/19/59  72.00  Musical Instrument Damage*
10/6/59  151.23  "  "
12/27/60  132.00  "  "
12/27/60  276.49  "  "
7/7/61  81.36  "  "
11/27/61  351.00  "  "
11/9/62  369.50  "  "
2/5/64  152.00  "  "  (for 1963)

*Each check represents several small claims

Note: There are no pending claims except two or three minor musical instrument repairs.
SPECIFICATIONS FOR QUOTING FIRE INSURANCE
OTTUMWA COMMUNITY SCHOOL DISTRICT

1. Insurance Desired:

A. Insurance shall cover -
   2. $350,000 actual cash value blanket coverage on contents, values submitted by the Secretary of the District.

B. Insurance must be a blanket policy to cover the school system. One policy for all buildings and contents with automatic pickup of additional locations.

C. Insurance shall cover the perils of fire, extended coverage, vandalism and malicious mischief.
   1. Optional quotation for all risk perils for building and contents will be accepted. (All risk coverage only on buildings which carry replacement cost.) Consideration will be given to inclusion of the coverage in items 1, 2, 3, 4 and 5 of the Property Floater Specifications under the contents coverage if possible. (alternates)

D. Insurance shall incorporate the following clauses:
   2. 90% of appropriate valuations will be used in computing blanket rates.
   3. Also please prepare quotations based on $500, $1,000 or $3,000 disappearing deductible per occurrence. (Alternates)

E. Premiums are to be quoted on maximum allowable term with annual payment.
SPECIFICATIONS FOR QUOTING PROPERTY FLOATER INSURANCE

OTTUMWA COMMUNITY SCHOOL DISTRICT

A. Insurance shall cover as per schedule to be furnished -

1. Musical instruments valued at $35,000, various locations.

2. Band uniforms valued at $15,000, various locations.

3. Visual Education Equipment valued at $10,000, various locations, covered by Camera Floater at present.

4. Business Machines valued at $10,000, various locations.

5. Paintings valued at $10,000 located in High School.

B. Coverage shall be "All Risk" but if possible please also quote a $50.00 deductible on A, Item 1. This is the coverage where most claims occur, most claims being under $50.00. If a $50.00 deductible will lower the premium considerably on A, Items 2, 3, 4 and 5, please give this quotation also. (Alternates)

C. Premiums to be quoted on maximum allowable term with annual payment.
SPECIFICATIONS FOR QUOTING BOILER INSURANCE
OTTUMWA COMMUNITY SCHOOL DISTRICT

Coverages

A. Direct Damage - Automatic Coverage

Policy limit of 1,000,000 and minimum per location as indicated, excluding B. I. Coverage.

Repair and Replacement Coverage

Expediting Expenses up to $15,000

1) Blanket: All steam boilers - Broad Form and Piping
   Standard Policy, full coverage and also quote $500 deductible (alternate
   B. Premiums for maximum allowable term with annual payment.

C. Location and Objects

Washington Jr. High School
539 West 4th St.
Ottumwa, Wapello, Iowa

1-7L82 Kewanee Ht. F. T. Boiler, Class 1
2-7L82 Kewanee H. T. F. T. Boiler, Class 1
3-7L82 Kewanee H. T. F. T. Boiler, Class 1 750,000.

Wildwood School
McKinley Avenue
Ottumwa, Wapello, Iowa

1-7L83 Kewanee H. T. F. T. Boiler, Class 1 500,000.

Evans Jr. High School
812 Chester
Ottumwa, Wapello, Iowa

1-7L87 Kewanee H. T. F. T. Boiler, Class 1
2-7L87 Kewanee H. T. F. T. Boiler, Class 1 1,000,000.
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<thead>
<tr>
<th>School</th>
<th>Address</th>
<th>Boilers</th>
<th>Quantity</th>
<th>Size</th>
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<td>Wilson School</td>
<td>1102 East Fourth St. Ottumwa, Wapello, Iowa</td>
<td>1 Kewanee H. T. F. T. Boiler, Class 1</td>
<td>1-5185</td>
<td>750,000</td>
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<td>Franklin School</td>
<td>305 South Walnut Ottumwa, Iowa (Wapello County)</td>
<td>1-7L82 Kewanee H. T. F. T. Boiler, Class 1</td>
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</tr>
<tr>
<td>Jefferson School and Annex</td>
<td>605 Milner Ottumwa, Wapello, Iowa</td>
<td>1-752 Kewanee H. T. F. T. Boiler, Class 1</td>
<td>1-752</td>
<td>200,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1-737 Kewanee H. T. F. T. Boiler, Class 1</td>
<td>1-737</td>
<td></td>
</tr>
<tr>
<td>Agassiz School</td>
<td>608 East Williams Ottumwa, Wapello, Iowa</td>
<td>1-7L80 Kewanee H. T. F. T. Boiler, Class 1</td>
<td>1-7L80</td>
<td>500,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2-7L80 Kewanee H. T. F. T. Boiler, Class 1</td>
<td>2-7L80</td>
<td></td>
</tr>
<tr>
<td>High School</td>
<td>501-15 E. 2nd St. Ottumwa, Wapello, Iowa</td>
<td>1 Frost H. T. F. T. Boiler, Class 1</td>
<td>1</td>
<td>500,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 Frost H. T. F. T. Boiler, Class 1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 Frost H. T. F. T. Boiler, Class 1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Horace Mann School</td>
<td>1523 North Court St. Ottumwa, Wapello, Iowa</td>
<td>1-7L82 Kewanee H. T. F. T. Boiler, Class 1</td>
<td>1-7L82</td>
<td>500,000</td>
</tr>
</tbody>
</table>
Stuart School  
202 South Ward  
Ottumwa, Wapello, Iowa

1-7L82  Kewanee H. T. F. T. Boiler, Class 1  
300,000.

Fairview School  
135 Fairview  
Ottumwa, Wapello, Iowa

1-7L78  Kewanee H. T. F. T. Boiler, Class 1  
250,000.

Field House  
Schaefer Field  
Ottumwa, Wapello, Iowa

1  Semco H. T. F. T. Boiler, Class 1  
100,000.

Douglas School  
737 West Second St.  
Ottumwa, Wapello, Iowa

1  Kewanee H. T. F. T. Boiler, Class 1  
150,000.

Building #40  
Municipal Air Base  
Ottumwa, Wapello, Iowa

1  National U. S. Rad. Co. - H. T. Boiler, Class 1, 30" Dia.  
500,000.

The following not to be included as explosion coverage is provided by extended coverage in the fire policy:

Lincoln  
Hot Water Boiler

Pickwick  
Hot Water Boiler

Smith-Warren  
Hot Water Boiler
SPECIFICATIONS FOR QUOTING COMPREHENSIVE GENERAL LIABILITY
OTTUMWA COMMUNITY SCHOOL DISTRICT OTTUMWA, IOWA

I. Schools - Elementary, Junior High: 16
   Number of Pupils: 6,700

II. Schools - High:
   Number of Pupils: 1,650

III. Schools - Manual Training, Trade, Vocational: 2
    Number of Pupils: 165

IV. Stadium or Outdoor Grandstand or Bleachers, permanent: 5
    Number of Admissions: 40,000
    Receipts: (admissions) $10,000

V. Employees to be covered:
   Superintendent of Schools 1
   Secretary to Superintendent 1
   Business Manager & Secretary to Board 1
   Secretary to Business Manager 1
   *Business Manager of High School 1
   *Principals and Assistant Principals 20
   *Teachers and Supervisors 340
   *Psychologists 2
   *Nurses 2
   Central Office Bookkeepers 3
   Secretaries 20
   Messengers and Couriers 3
   Cafeteria Managers and Staff 12
   Custodians 41
   Maintenance Employees 7
   Warehouse Employees 1

VI. Malpractice Coverage:
    100,000/500,000
    Two school nurses, full time

VII. Schedule of Elevators: One Freight

VIII. Estimated work by Independent Contractors during Policy Year: $10,000

*Please also quote this premium without this group of employees. Our present coverage does not include them. (Alternate)
IX. Scope of coverage - Bodily Injury and Property Damage applicable:
   a. All locations operated by the School District
   b. Elevators
   c. Independent contractors
   d. Products including completed operations; we have three school cafeterias.
   e. Contractual liability - as defined in Comprehensive contract
   f. Professional Malpractice for nurses
   g. Occurrence Basis

X. Limits of Liability:

<table>
<thead>
<tr>
<th></th>
<th>Bodily Injury</th>
<th>Property Damage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$100,000 each person</td>
<td>$100,000 each occurrence</td>
</tr>
<tr>
<td></td>
<td>$500,000 each occurrence</td>
<td>$100,000 aggregate</td>
</tr>
<tr>
<td></td>
<td>$500,000 aggregate</td>
<td></td>
</tr>
<tr>
<td>Single limit of</td>
<td>$500,000 (Alternate)</td>
<td></td>
</tr>
</tbody>
</table>

XI. The premiums for the General Liability Policy have been approximately $1,000 per year for each of the past three years. Losses - 1962 - $471.00
                                                1963 - $235.00
SPECIFICATIONS FOR QUOTING PUBLIC EMPLOYEE BLANKET POSITION BOND
OTTUMWA COMMUNITY SCHOOL DISTRICT OTTUMWA, IOWA

I. Employees to be covered:

<table>
<thead>
<tr>
<th>Position</th>
<th>Number</th>
<th>Limits per Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superintendent of Schools</td>
<td>1</td>
<td>$10,000</td>
</tr>
<tr>
<td>Secretary to Superintendent</td>
<td>1</td>
<td>10,000</td>
</tr>
<tr>
<td>Business Manager &amp; Secretary to Board</td>
<td>1</td>
<td>Has separate bond - by law</td>
</tr>
<tr>
<td>Secretary to Business Manager</td>
<td>1</td>
<td>10,000</td>
</tr>
<tr>
<td>Business Manager of High School</td>
<td>1</td>
<td>5,000</td>
</tr>
<tr>
<td>Principals and Assistant Principals</td>
<td>20</td>
<td>5,000</td>
</tr>
<tr>
<td>Teachers</td>
<td>340</td>
<td>1,000</td>
</tr>
<tr>
<td>Psychologists</td>
<td>2</td>
<td>1,000</td>
</tr>
<tr>
<td>Nurses</td>
<td>2</td>
<td>1,000</td>
</tr>
<tr>
<td>Central Office Bookkeepers</td>
<td>3</td>
<td>1,000</td>
</tr>
<tr>
<td>Secretaries handling funds</td>
<td>20</td>
<td>1,000</td>
</tr>
<tr>
<td>Messengers and Couriers</td>
<td>3</td>
<td>1,000</td>
</tr>
<tr>
<td>Cafeteria Managers and Staff</td>
<td>12</td>
<td>1,000</td>
</tr>
<tr>
<td>Custodians</td>
<td>41</td>
<td>1,000</td>
</tr>
<tr>
<td>Maintenance Employees</td>
<td>7</td>
<td>1,000</td>
</tr>
<tr>
<td>Warehouse Employees</td>
<td>1</td>
<td>1,000</td>
</tr>
<tr>
<td>Supervisors responsible for funds</td>
<td>2</td>
<td>1,000</td>
</tr>
</tbody>
</table>

II. Premiums to be quoted on a maximum allowable term with an annual payment basis.

III. It may be desirable to include this Employees Blanket Bond with the Money and Securities Insurance.
SPECIFICATIONS FOR QUOTING BROAD FORM MONEY AND SECURITIES INSURANCE, OTTUMWA COMMUNITY SCHOOL DISTRICT, OTTUMWA, IOWA

I. Locations, coverage and limits: (both Inside and Outside Premise)

<table>
<thead>
<tr>
<th>LOCATION</th>
<th>INSIDE PREMISE</th>
<th>OUTSIDE PREMISE</th>
<th>TYPE OF SAFE OR VAULT</th>
<th>MAXIMUM EXPOSURE</th>
<th>AVERAGE EXPOSURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Board</td>
<td>3,000</td>
<td>3,000</td>
<td>Old iron, 1,500 pound safe</td>
<td>3,000</td>
<td>1,500</td>
</tr>
<tr>
<td>205 E. 5th St.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High School</td>
<td>2,000</td>
<td>2,000</td>
<td>Steel &amp; concrete vault, walk-in</td>
<td>2,000</td>
<td>1,000</td>
</tr>
<tr>
<td>501 E. 2nd St.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evans School</td>
<td>1,500</td>
<td>1,500</td>
<td>Steel &amp; concrete vault, walk-in</td>
<td>1,500</td>
<td>750</td>
</tr>
<tr>
<td>812 Chester Ave.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Washington School</td>
<td>1,000</td>
<td>1,000</td>
<td>Old iron, 500 pound safe</td>
<td>1,000</td>
<td>500</td>
</tr>
<tr>
<td>539 W. 4th St.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*Technical School</td>
<td>1,000</td>
<td>1,000</td>
<td>Steel &amp; concrete vault, walk-in</td>
<td>1,000</td>
<td>500</td>
</tr>
<tr>
<td>226 S. Benton</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Added recently and not covered under present policy which has a $2,190 maximum.

II. Three year loss experience: We have paid Travelers of Hartford $198.91 annually and have had no losses.

III. Protective controls: Money is deposited two or three times weekly and almost never left in the safes or vaults over weekends.

IV. Premiums to be quoted on a maximum allowable term with annual payment.

V. It may be desirable to include our Public Employees Blanket Bond with this Money and Securities Insurance.
SPECIFICATION FOR QUOTING COMPREHENSIVE AUTO LIABILITY
OTTUMWA COMMUNITY SCHOOL DISTRICT

A. Insurance shall cover
   1. All owned vehicles described on attached list
   2. Hired car and nonownership on an "If Any" basis*
   3. Policy to have automatic pickup of coverage feature
   4. Comprehensive automobile liability on occurrence basis

B. Limits of liability
   1. Bodily Injury $100,000 each person
      500,000 each accident
   2. Property Damage 100,000 each accident
   3. Medical Payments 2,000 each person, Unit #3
   4. Comprehensive Unit #3

C. Premiums to be quoted on maximum allowable term with annual payment.

*The only vehicles we hire are school buses for which we pay the owners about $40,000 annually for the routes they cover.
<table>
<thead>
<tr>
<th>No.</th>
<th>Year of Model</th>
<th>Trade Name</th>
<th>Type</th>
<th>Motor Number or Serial Number</th>
<th>Purchased No. Yr.</th>
<th>New Used</th>
<th>Garage Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1956</td>
<td>Chevrolet Pickup</td>
<td>½ Ton</td>
<td>3A56J016165</td>
<td>7 56</td>
<td>N</td>
<td>Ottumwa</td>
</tr>
<tr>
<td>2</td>
<td>1951</td>
<td>Chevrolet</td>
<td>1 Ton</td>
<td>21UKC1535</td>
<td>5 58</td>
<td>N</td>
<td>Ottumwa</td>
</tr>
<tr>
<td>3</td>
<td>1960</td>
<td>Volkswagen</td>
<td>Station Wagon</td>
<td>569803</td>
<td>7 60</td>
<td>N</td>
<td>Ottumwa</td>
</tr>
<tr>
<td>4</td>
<td>1951</td>
<td>Chevrolet</td>
<td>Sedan</td>
<td>3JJG12954</td>
<td>12 58</td>
<td>U</td>
<td>Ottumwa</td>
</tr>
<tr>
<td>5</td>
<td>1951</td>
<td>Willys</td>
<td>Jeep</td>
<td>451GBI-29411</td>
<td>11 53</td>
<td>U</td>
<td>Ottumwa</td>
</tr>
<tr>
<td>6</td>
<td>1955</td>
<td>Dodge Pickup</td>
<td>Pickup</td>
<td>82382004</td>
<td>7 55</td>
<td>U</td>
<td>Ottumwa</td>
</tr>
<tr>
<td>7</td>
<td>1955</td>
<td>Chevrolet</td>
<td>Truck</td>
<td>H2-555-020749</td>
<td>8 63</td>
<td>U</td>
<td>Ottumwa</td>
</tr>
<tr>
<td>8</td>
<td>1957</td>
<td>Ford Sedan</td>
<td>Mdl. 73A</td>
<td>A7DG212571</td>
<td>8 63</td>
<td>U</td>
<td>Ottumwa</td>
</tr>
<tr>
<td>9</td>
<td>1951</td>
<td>Willys</td>
<td>Jeep</td>
<td>27334</td>
<td>8 63</td>
<td>U</td>
<td>Ottumwa</td>
</tr>
<tr>
<td>10</td>
<td>1956</td>
<td>Chevrolet</td>
<td>Sedan</td>
<td>A56K121846</td>
<td>11 63</td>
<td>U</td>
<td>Ottumwa</td>
</tr>
<tr>
<td>11</td>
<td>1952</td>
<td>Willys</td>
<td>Jeep</td>
<td>59155</td>
<td>10 62</td>
<td>U</td>
<td>Ottumwa</td>
</tr>
<tr>
<td>12</td>
<td>1952</td>
<td>International</td>
<td>Pickup</td>
<td>89143</td>
<td>12 59</td>
<td>U</td>
<td>Ottumwa</td>
</tr>
</tbody>
</table>
To the Board of Education, Ottumwa Community School District, Ottumwa, Iowa:

The undersigned declares that he has carefully examined the "Notice to Companies" and "Specifications" which accompany such notice and will furnish the insurance protection and services in compliance with such specifications for the premiums set forth below, INCLUDING NO ALTERNATES. QUOTE ALTERNATES IN YOUR OWN SEPARATE STATEMENT DESCRIBING THEM.

<table>
<thead>
<tr>
<th>Year</th>
<th>Premium</th>
<th>Less Discounts, Dividends or Unabsorbed Premium Refunds</th>
<th>Net Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>1965</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>1966</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>1967</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>1968</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

The undersigned declares that he has checked carefully the above quotations and understands that he shall be responsible for any errors or omissions effecting coverage based on these specifications or alternates as submitted. The quotations above are to provide for this school district the entire program of insurance asked for in the specifications and the implied service whether such coverage is in a "package" or in separate policies.

IT IS UNDERSTOOD AND AGREED BY THE UNDERSIGNED THAT THE BOARD OF EDUCATION RESERVES THE RIGHT TO ACCEPT OR REJECT ANY OR ALL PROPOSALS AND TO WAIVE ANY INFORMALITY IN THE PROPOSALS RECEIVED.

The undersigned agent or agency or company representative further declares that said agent or agency or company representative will act as the sole servicing agent; that this quotation is devoid of any fraud or collusion; and that no member of the Board of Education or of the Administrative Staff of the School District or any other employee of said School District is directly or indirectly interested personally or financially in this bid.

NAME OF AGENCY SUBMITTING BID

SIGNATURE OF AGENCY REPRESENTATIVE

TITLE____________________________________ DATE____________

NAME OF COMPANY WRITING INSURANCE

SIGNATURE OF COMPANY REPRESENTATIVE

TITLE____________________________________ DATE____________