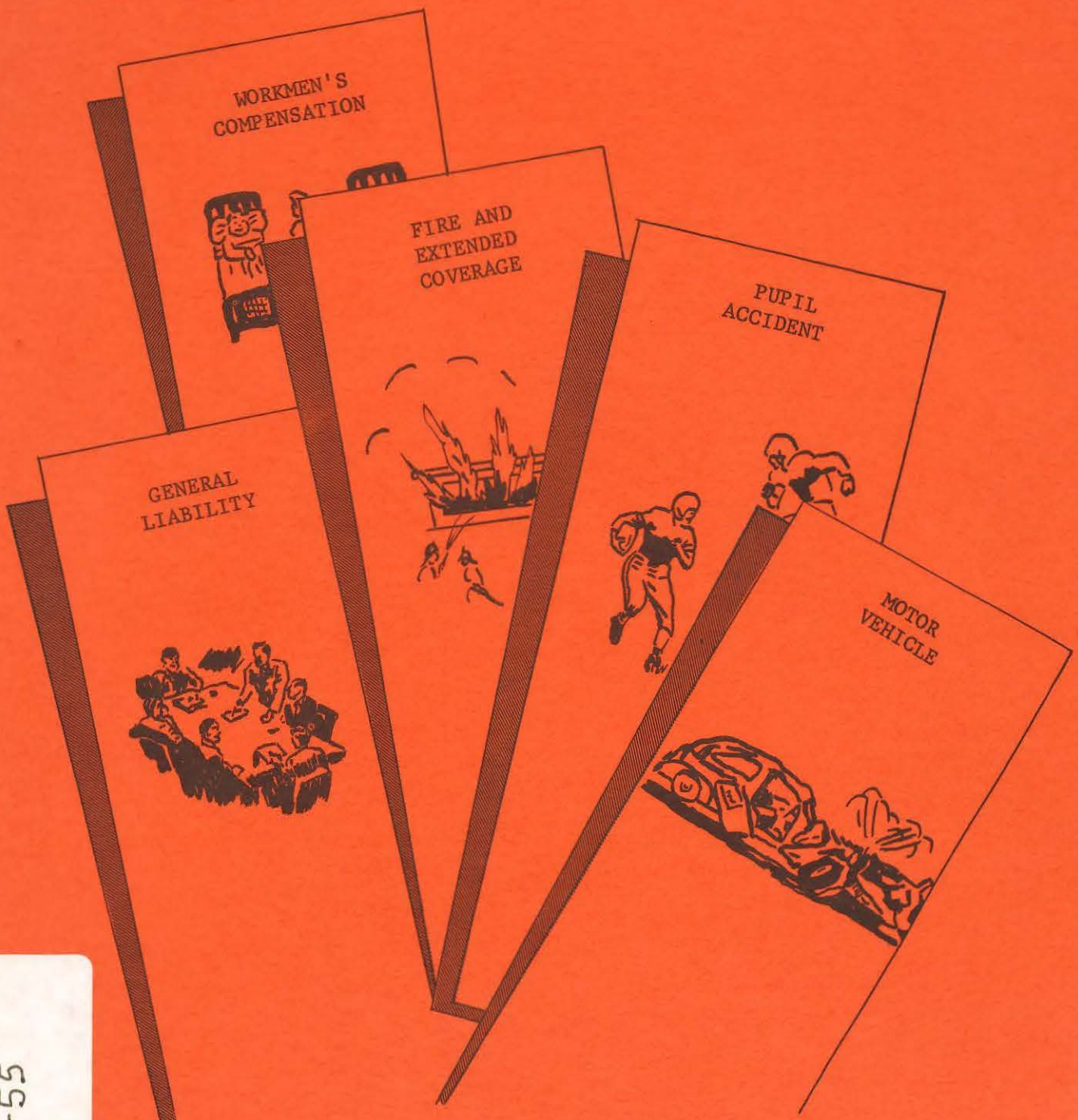
IOWA SCHOOL INSURANCE



OCTOBER 1960

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ACKNOWLEDGMENTS

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The cover was designed by Marvin W. Ingle of the Iowa State Department of Public Instruction.

Appreciation is also extended to the staff of the Insurance Department of Iowa for their comments, to Richard J. Shultz of the Iowa Association of Mutual Insurance Agents, and to Philip E. Jester of the Iowa Association of Independent Insurance Agents for their suggestions in the preparation of this publication.

FOREWORD

School insurance is a complex factor in school administration. It is also an important factor. Iowa school officials have shown an increased interest in this phase of administration during the past ten years caused principally by:

1. The increase in the value of school property.
2. The erection of many new school structures (Iowa school districts were bonded for approximately $163,000,000 from 1951 to 1959 for new school facilities).
3. Court decisions in some states relative to the responsibilities of school districts.
4. An interest in certain fringe benefits to school employees such as accident and health insurance.
5. An eagerness to know just what good school insurance programs "are all about."
6. The constitutionality of the right of school boards to insure property and employees.

Inquiries from school officials to the Department of Public Instruction concerning facts and factors of school insurance have pyramided over the years. These have come by letters, telephone calls and personal appearances. These officials have been concerned about the types and amounts of insurance a school district should carry, insurance rates, insurable value of school property and how it is ascertained, where to buy insurance, and how to set up an adequate coverage program.

School officials are aware of the great amount of wealth invested in school facilities under their jurisdiction; they are interested in the welfare of the employees who work in and with these facilities; and they are concerned with the lives of the children who attend classes in the school buildings, play on school sites, and ride in school buses.

Wise schoolmen plan school buildings to reduce risks and they carry insurance programs to compensate in some way for losses. Their chief objective is to reduce loss risks to the lowest possible minimum.

The purpose of this pamphlet is to describe the types of insurance coverage that are most frequently purchased by Iowa school boards, as shown by a study of five years of practices in local school districts. No suggestions or recommendations are made as to the types of insurance programs school boards should carry. Neither should a school official decide that if certain insurance coverage is carried by a majority of school boards, that this is necessarily the best program for "his" district. It is hoped that school board members will use the information in this publication to acquaint themselves with common school insurance practices in Iowa and use it as a basis for study and for the formulation of sound insurance programs for their own local schools.

J. C. WRIGHT
State Superintendent of Public Instruction

TABLE OF CONTENTS

Note: The following tables are based on information received from Iowa Public High School Districts as of June 30, 1958.

Note: The following tables contain compiled data from Iowa public High School Districts over a five-year period, July 1, 1953 to June 30, 1958.

Note: The following tables include information received from the State Fire Marshal's Office and cover the period from January 1, 1953 to December 31, 1957.

Chapter I

INTRODUCTION

In 1958, the Department of Public Instruction published a pamphlet entitled School Business, a manual for school officials. Chapter X of this manual is concerned with school insurance and includes a description of insurance rates, insurable value of property, where insurance might be bought, the right of a school board to carry insurance, types of insurance companies, types of insurance policies, and the maintenance of insurance records.

Because of the increased interest in school insurance programs by school officials it was thought advisable to make a study of the practices followed by Iowa school districts during a five-year period beginning July 1, 1953, and ending June 30, 1958.

A questionnaire, based on Chapter X of School Business, was developed which required 69 responses to items pertinent to school insurance and these were sent to the 648 public four-year high school districts in existence at that time.

The 648 districts were divided according to enrollment into the following four categories:

Group	Enrollments	No. of Districts	No. of Replies
I	99 and below	334	281
II	100 to 299	232	203
III	300 to 599	57	51
IV	600 and above	25	25
	Total	648	560

Responses were received from 560 school districts which amounts to a return of 86 per cent of the schools covered by the questionnaire. This should present a significant picture as to what is actually happening to insurance programs in Iowa schools.

The information contained in this publication comes largely from the data compiled from the questionnaires sent to Iowa public four-year high school districts.

(Cont'd.)

DISCUSSION

In 1983, the Legislature of Pacific Commonwealth enacted a comprehensive omnibus [illegible] Act, a model for school districts. Chapter X of this model is concerned with [illegible] and independent [illegible] contracts. Section [illegible] provides a value of [illegible] [illegible] right to bargain on a school district by school district basis. Type of [illegible] contractual [illegible] of [illegible] policies, and the [illegible] of [illegible] [illegible].

Because of the increasing pressure to solve local insurance problems by school districts [illegible] [illegible] of the problem by [illegible] school districts [illegible] a one year period from July 1, 1983 and ending June 30, 1985.

A questionnaire, based on Chapter X of School Insurance [illegible] was developed and [illegible] to [illegible] permission to attend [illegible] [illegible] were sent to the [illegible] school districts in existence at that time.

The 9th circuit [illegible] were divided according to [illegible] [illegible] as follows:

Circuit	Districts	No. of Districts	No. of Replies
I	30 and below	344	280
II	100 to 299	224	209
III	300 to 599	87	81
IV	600 and above	23	23
	Total	678	593

Responses were [illegible] from 593 school districts which amounts to a return of 59 percent of the [illegible] sent by the questionnaire. This should provide a sample [illegible] to what is actually happening in insurance procurement in school districts.

The [illegible] contained in the questionnaire [illegible] the state complaint [illegible] [illegible] to have public [illegible] [illegible].

Chapter II

ADMINISTRATION OF SCHOOL INSURANCE PROGRAMS

A good insurance program is simple, understandable, comprehensive, economical and well-balanced in coverage and in the amount of premiums to be paid each year.

Responsibility of School Boards

School officials are responsible for the selection and administration of an insurance program for their school districts. They may insure school property and provide for the payment of insurance premiums from the General Fund:

> (Section 279.25, "It may provide and pay out of the general fund to insure school property such sum as may be necessary . . . ")

Iowa school boards are not compelled to carry insurance except as it relates to surety bonds, and it should be explained that a surety bond is not an insurance policy. A surety bond reimburses a school district for any loss caused by the official covered by the bond. See Iowa Code 279.8, 291.2, 64.2 and 64.25.

The Iowa Code gives school boards the permission to insure school property (279.25) and it also gives them the right to carry insurance covering bus drivers and those being transported. Chapter 285.10, section 6 states: "May purchase liability insurance or such other coverage as deemed necessary to protect the driver or any authorized employee from liability incurred by said driver or employee as a result of operating the bus and for damages or accident resulting in injury or death to the pupils or employees being legally transported."

In Chapter 285.8, the Department of Public Instruction is given power to establish certain standards for the safety and protection of pupils being transported to and from school. At the present time, the Department of Public Instruction, through the Division of Transportation has developed certain regulations concerning insurance. (See Chapter V of this publication.)

The Department of Public Instruction has not established any regulations regarding insurance other than those on school buses, but there are certain regulations set up by the State Fire Marshal concerning the construction and safety of school buildings. These regulations should be carefully considered because they have a direct relationship to school insurance rates.

Types of Insurance Companies

Most of the school insurance in Iowa is held either by a stock company or a mutual company and some school districts hold insurance in both types.

The Insurance Department of Iowa approves the following definitions of insurance companies as they appear in the Iowa Agents' Study Manual:

> "Capital Stock Insurance Company. A company having, in addition to surplus and reserve funds, a capital fund paid in by stockholders.
>
> Mutual Insurance Company. An insurance organization incorporated without capital funds contributed by stockholders, owned by its policyholders and operating solely through premiums paid in by them.

Assessment Insurance. Insurance in which no definite premium is provided for in the contract, assessments being levied on insureds before or after the occurrence of losses.

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."

Self-insurance is based on the principle that some school districts are large enough and their risks are spread wide enough to enable them to carry their own insurance. In some states, including Iowa, state-owned college property is not insured as the state assumes the risk of losses usually covered by insurance policies. A few states have their own school building insurance programs. Some provide full coverage while others provide only partial coverage. Iowa has insurance on dormitories and student unions where money was borrowed to finance the buildings. (North Carolina has a state plan of insurance for its public schools.)

Selection of Insurance Companies

As previously stated, questionnaires were sent to the 648 high school districts in Iowa and 560 responses were received. In this questionnaire several questions were asked to determine how much insurance was purchased from mutual and stock companies and what types of insurance were purchased from each.

- 463 school districts stated they had some insurance with a mutual company.
- 528 school districts replied that they had some insurance with a stock company.
- It will be noted from Table I that there was a greater number of responses than responding districts. This was caused by the fact that many Iowa school districts use both mutual and stock insurance companies for the same types of insurance coverages.
- Mutual insurance companies outsold stock insurance companies in two areas of coverage; namely, Motor Vehicle Insurance and Workmen's Compensation Insurance.
- Boiler insurance is handled primarily by stock insurance companies. Only 7.35 per cent of boiler insurance was carried by mutual companies.
- Of all the responding school districts, 96 districts purchased all their insurance from stock companies and 28 districts purchased exclusively from mutual companies.
- Groups I and II, containing the smaller schools, were the most frequent users of mutual insurance companies.
- Out of 112 claims settled, only two responding school districts were dissatisfied with mutual insurance company settlements and one with stock company settlement. Their complaints were on the meagerness of payment and the length of time it took for setlement.

Methods of Selecting Insurance Companies

School boards in Iowa use several methods in determining their choice of an insurance company. Over 55 per cent, or 306 schools, seemingly do little research or investigating

TABLE I

STOCK AND MUTUAL COMPANY INSURANCE COVERAGES CARRIED BY THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: AS OF JUNE 30, 1958, BY GROUP CLASSIFICATION

Types of Coverages and Companies	Number of Policies					
	Group I	Group II	Group III	Group IV	Total Number	Per Cent
Fire & Ext. Coverage						
Mutual	165	128	22	10	325	41.09
Stock	227	171	47	21	466	58.91
Motor Vehicle						
Mutual	160	127	31	6	324	60.34
Stock	96	71	25	21	213	39.66
Surety Bonds						
Mutual	99	62	8	2	171	33.79
Stock	145	131	46	23	335	66.21
Boiler						
Mutual	18	11	2	0	31	7.35
Stock	168	153	47	23	391	92.65
Liability						
Mutual	66	54	10	1	131	41.32
Stock	86	68	22	10	186	58.68
Burglary						
Mutual	29	34	8	1	72	32.00
Stock	53	54	31	15	153	68.00
Workmen's Com.						
Mutual	154	114	26	9	303	57.50
Stock	97	84	28	15	224	42.50
Total Policies						
Mutual	691	530	107	29	1357	-----
Stock	872	732	246	128	1978	-----
Percentage						
Mutual	44.21%	42.00%	30.31%	18.47%	40.69%	-----
Stock	55.79%	58.00%	69.69%	81.53%	59.31%	-----

of insurance companies but leave the responsibility to the discretion of insurance agents. Over 18 per cent, or 103 schools responding, chose their insurance companies through a combination of service rendered by the local agent and premiums charged.

Only three responding school districts used professional rating company publications to select their insurance companies, although 42 districts did use them in combination with other methods.

Several school districts indicated more than one choice of selecting an insurance company which resulted in a larger number of responses than the number of districts responding.

Responsibility for Handling the School Insurance Program

There were several combination responses to the question, "Who has the responsibility for handling your school insurance program?" As shown in Table III, 53.58 per cent or 299 responding school districts had the board of education directly responsible for managing their insurance programs.

- It will be noted that although 25 per cent of the larger school districts in Group IV had their insurance programs handled by school personnel, this was the highest percentage of all four groups.

- The centralization of responsibility is a basic principle of administration and it certainly applies in the administration of an insurance program. Authorities in education recommend that one person be in charge of the school insurance programs, but this does not mean that such an administrator should not seek the advice or assistance of insurance men. An unbiased insurance adviser or a local agents' association can be efficient and accurate, and can be of great service to a school administrator in setting up a good insurance program.

- From the data of Table III it would appear that Iowa public school districts are not following the insurance literature recommending that one person be in charge of the insurance program.

Appraisal of School Property

One of the most important problems in the development of a school district's insurance program is the appraisal of school property for the purpose of determining its insurable value. Appraisal is the establishment of the true present value of a property. If an appraisal is not kept up-to-date, a school district might become either under-insured or over-insured and with the trend of rising costs during the past few years, many school districts, no doubt, are under-insured.

The value of school property can be kept current through the establishment of replacement costs and through the calculation of depreciation. Depreciation and obsolescence must be considered in arriving at a sound insurable value of a property. Depreciation is a decline in the value of a property which occurs over a period of time in spite of maintenance and repairs.

Obsolescence means "out-of-date." The degree of obsolescence is how well a property can be adapted to modern use, and how suitable it is for the purpose for which it is used.

TABLE II

METHODS OF SELECTING INSURANCE COMPANIES IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: AS OF JUNE 30, 1958, BY GROUP CLASSIFICATION

Methods of Selection	School Districts				Replies	
	Group I	Group II	Group III	Group IV	Total Number	Per Cent
Service rendered by local agent	171	106	18	11	306	55.43
Professional rating company	2	0	1	0	3	.54
Premiums charged	9	10	1	0	20	3.63
Local agent and professional rating company	8	5	7	3	23	4.17
Local agent and premiums charged	65	31	7	0	103	18.66
Professional rating company and premiums charged	5	3	0	0	8	1.45
Local agent, professional rating company, and premiums charged	3	6	2	0	11	1.99
Others	17	37	14	10	78	14.13
Total	280	198	50	24	552	100.00

TABLE III

MANAGEMENT RESPONSIBILITY OF INSURANCE PROGRAMS IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: AS OF JUNE 30, 1958, BY GROUP CLASSIFICATION

Authorities Responsible	School Districts				Replies	
	Group I	Group II	Group III	Group IV	Total Number	Per Cent
School Personnel	12	29	8	6	55	9.86
Board of Education	197	89	10	3	299	53.58
Insurance Adviser	2	4	2	1	9	1.61
Local Agents' Asso.	7	1	2	4	14	2.51
School Personnel and Board of Education	25	35	7	3	70	12.54
School Personnel and Insurance Adviser	1	5	2	1	9	1.61
School Personnel and Local Agents' Asso.	0	4	4	0	8	1.43
Board of Ed. and Insurance Adviser	17	8	2	1	28	5.02
Board of Ed. and Local Agents' Asso.	5	4	4	3	16	2.87
School Personnel, Board of Ed. and Local Agents' Asso.	3	2	1	2	8	1.44
School Personnel, Board of Ed. and Insurance Adviser	3	5	5	1	14	2.51
Others	9	15	3	1	28	5.02
Total	281	202	50	25	558	100.00

Sound insurable value. "Sound insurable value (sometimes called actual cash value) is the cost of replacing, reproducing or restoring property to its condition immediately preceding a loss, less depreciation due to obsolescence and use. This is arrived at by deducting from the cost of reproduction new, the total accrued depreciation and the exclusions such as excavations and filling, portions of the foundation which are below the undersurface of the lowest basement floor or below the surface of the ground, and underground sewerage, piping and wiring."[1]

Replacement costs may be determined through several sources:

1. Original construction costs in relation to current cost.

2. Appraisals by insurance company engineers.

3. Appraisals by independent appraisers.

4. Self-appraisals by school personnel.

5. Appraisals by local architects and contractors.

6. Others.

Where co-insurance is carried on a building it is important that appraisals be made often enough that the district would not be unduly penalized in case of loss.

When construction costs are rising a prudent board will re-evaluate its property every two years at least. Once a year might be better, depending upon the degree of increase in construction costs.

In Iowa it would appear that school districts are lax in keeping property appraisals up-to-date. This study found 407 districts or 75.79 per cent not making appraisals as often as recommended by insurance authorities. As many as 248 schools or 46.18 per cent appraised their property every five years. The larger schools in Groups III and IV were more prompt in making property appraisals at least every two years than were the schools in Groups I and II. (Table IV)

[1]New York State Education Department, Insurance, School Business Management Handbook, A Report Prepared by the Committee on Insurance (Albany: New York State Education Department, 1956), p. 15.

TABLE IV

FREQUENCY OF SCHOOL PROPERTY APPRAISALS IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: AS OF JUNE 30, 1958, BY GROUP CLASSIFICATION

Frequency of Appraisals	School Districts				Replies	
	Group I	Group II	Group III	Group IV	Total Number	Per Cent
Annually	33	25	12	8	78	14.53
Every 2 years	22	18	10	2	52	9.68
Every 3 years	30	29	9	0	68	12.66
Every 5 years	140	88	12	8	248	46.18
No definite time	42	37	7	5	91	16.95
Total	267	197	50	23	537	100.00

Who Appraises School Property

School officials are concerned about two aspects of school property appraisals; first, how often should appraisals be made, and second, who should do the appraising. Many agree that reliable professional rating companies can do the best job but that they are too expensive, especially if they do a detailed appraisal; others state it is money well-spent, especially if the service is on a year-to-year basis. Still others argue that a professional appraisal should be done, at least every five years, because such reports are generally accepted for damages in event of a loss.

Some school boards employ insurance company engineers to make property appraisals but many other boards hesitate to use anybody connected with insurance companies because of the question of vested interest, even though most, if not all, of the insurance companies furnish this service free.

Because of the experience and background in the building field by contractors and architects several school boards prefer them as appraisers of school property.

- School personnel might do a satisfactory appraisal providing they use proper construction indexes on school buildings and are aware of the depreciation rate of contents. They should know the cost of all items that are not insurable such as cost of land, grading, excavation, etc., which were excluded from the original cost. The standard practice is to deduct six per cent (for underground values only) from the original cost of the building if the cost of these non-insurable items is not known.

- It is interesting to note in Table V that 236 school districts or 43.22 per cent of those responding employed insurance company engineers to make appraisals of their school property. Another item of interest is the fact that 83 school districts used a sort of "hit-and-miss" procedure of appraisal. Some replies stated that the district used local bankers, insurance agents . . . "responsible lay people" or "anyone willing."

TABLE V

PROPERTY APPRAISERS IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: AS OF JUNE 30, 1958, BY GROUP CLASSIFICATION

Property Appraisers	School Districts				Replies	
	Group I	Group II	Group III	Group IV	Total Number	Per Cent
School Personnel	37	19	3	6	65	11.90
Professional Services	19	17	14	4	54	9.89
Local Architects or Contractors	11	17	2	11	41	7.51
Insurance Co. Engineers	122	93	20	1	236	43.22
School Personnel and Insurance Co. Engineers	27	16	2	1	46	8.42
Professional Services and Ins. Co. Engineers	2	4	1	0	7	1.28
Architects, Contractors, and Ins. Co. Engineers	7	45	1	1	14	2.56
Others	47	28	7	1	83	15.22
Total	272	199	50	25	546	100.00

Expiration Date of School Insurance Policies

A good school insurance program will include a proper distribution of policies and premium dates that will tend to equalize the cost of insurance from year to year.

Of the 558 school districts in Iowa responding to the question, "Do you have one common expiration date for each group or classification of insurance?" only 270 districts, or 48.39 per cent of them, answered in the affirmative. Of the Group IV schools 84 per cent had arranged to have a common expiration date for each group of insurance policies. (Table VI)

On the question, "Is an attempt made to make the premium fall due in approximately the same amounts each year?" 88.51 per cent of the 493 schools responding answered in the affirmative. (Table VII)

Methods of Purchasing School Insurance

A school district certainly could get better coverage and more economy from its insurance program if it had some definite rules for the distribution of its insurance.

From Table VIII it will be noted that out of 529 responses to the methods of purchasing insurance, 183 schools had established rules for eligibility of local agents and brokers.

The significant factor in Table VIII is that 145 schools state "Other" methods of purchasing insurance than those enumerated in the questionnaire. Included in this category were the following replies:

59 districts divided their insurance among local agents.

40 districts had no set rules or plans.

20 districts had only one local agent.

9 districts had the local insurance association decide.

7 districts purchased insurance from the agent that gave them the best service.

2 districts had the secretary of the board act as insurance agent.

Chief Insurance Adviser

The schools of Iowa were questioned on whether or not they had a chief insurance adviser, and if they did employ one, how they paid for his services.

There were 158 schools replying in the affirmative and more of the larger school districts responding used a chief adviser than did the smaller schools. These advisers were compensated chiefly by giving the chief adviser a larger share of the school insurance business, or paying the advisers no fee at all. (Tables IX and X)

Self-Insurance

It is recognized that the self-insurance type of insurance should not be attempted by a small school district or even an average school district in Iowa. How large a district should be before it should consider self-insurance is debatable, but it should be large enough and its risks spread widely enough that the district would be adequately protected against loss.

TABLE VI

NUMBER OF IOWA PUBLIC HIGH SCHOOL DISTRICTS WITH CONCURRENT INSURANCE EXPIRATION DATES: AS OF JUNE 30, 1958, BY GROUP CLASSIFICATION

School Districts	Total Districts Per Group	Concurrent Expiration Dates	
		No. of Replies	Per Cent Replies
Group I	281	134	47.68
Group II	203	86	42.36
Group III	51	29	56.86
Group IV	25	21	84.00
Total	560	270	48.39

TABLE VII

NUMBER OF IOWA PUBLIC HIGH SCHOOL DISTRICTS WITH CONCURRENT ANNUAL INSURANCE PREMIUMS: AS OF JUNE 30, 1958, BY GROUP CLASSIFICATION

School Districts	Total Districts Per Group	Concurrent Annual Premiums	
		No. of Replies	Per Cent Replies
Group I	281	249	93.33
Group II	203	174	85.71
Group III	51	49	96.07
Group IV	25	21	87.50
Total	560	493	88.51

TABLE VIII

METHODS OF PURCHASING INSURANCE IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: AS OF JUNE 30, 1958, BY GROUP CLASSIFICATION

Methods of Purchasing	School Districts				Replies	
	Group I	Group II	Group III	Group IV	Total Number	Per Cent
Established rules for eligibility of local agents and brokers	98	57	21	7	183	34.59
Proportionate to annual volume of insurance written in district	29	44	11	2	86	16.26
Competitive bidding	53	32	0	0	85	16.07
Established rules, and competitive bidding	12	3	4	1	20	3.78
Proportionate to annual volume of insurance written, and competitive bidding	1	8	1	0	10	1.89
Others	71	49	13	12	145	27.41
Total	264	193	50	22	529	100.00

TABLE IX

NUMBER OF IOWA PUBLIC HIGH SCHOOL DISTRICTS WITH CHIEF INSURANCE ADVISERS: AS OF JUNE 30, 1958, BY GROUP CLASSIFICATION

School Districts	Total Districts Per Group	Chief Insurance Adviser	
		No. of Replies	Per Cent Replies
Group I	281	69	24.56
Group II	203	48	23.65
Group III	51	27	52.94
Group IV	25	14	55.00
Total	560	158	28.21

TABLE X

METHODS OF COMPENSATION FOR CHIEF INSURANCE ADVISERS IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: AS OF JUNE 30, 1958, BY GROUP CLASSIFICATION

Methods of Compensation	School Districts				Replies	
	Group I	Group II	Group III	Group IV	Total Number	Per Cent
Fee	1	2	0	0	3	1.95
Larger share of business	35	21	11	7	74	48.05
No compensation	32	17	13	7	69	44.80
Others	1	4	3	0	8	5.20
Total	69	44	27	14	154	100.00

In the replies to "Do you have self-insurance?" there was so much misunderstanding about the definition of the term that no compilation of answers was attempted. None of the larger schools stated they had self-insurance. Some replies would indicate that the schools confused self-insurance with co-insurance. Twenty-nine school districts said they had self-insurance, but when these districts were carefully investigated it was found that no public high school district in Iowa was self-insured.

- It would appear that Iowa school officials are not well informed about the amount and type of insurance to carry on district property or how they might obtain the coverage at the lowest cost. There were many conflicting answers to questions relating to the economics of adequate insurance coverage. Most of the schools stated that an attempt had been made to reduce the costs of insurance in their districts.

- A total of 422 school districts said they used a co-insurance plan, however, 58 of their replies did not correspond with what they had responded on the question of what percentage of co-insurance they had in force.

There were also disagreements between answers to other questions and the methods schools stated were used to reduce insurance costs.

TABLE XI

ECONOMIES EMPLOYED TO REDUCE INSURANCE COSTS IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: AS OF June 30, 1958, BY GROUP CLASSIFICATION

Economies Used to Reduce Costs	School Districts				Total No. of Replies
	Group I	Group II	Group III	Group IV	
Use of five-year term policies	228	161	40	21	450
Use of co-insurance	198	161	42	21	422
Review of rate make-up of Iowa Inspection Bureau	81	64	27	17	189
Use of mutual company with non-assessable contracts	102	78	15	4	199
Competitive bidding	79	68	12	4	163
Combination with other municipal and county organizations	1	0	0	2	3
Others	9	5	5	4	23

- It will be of interest to note that only three schools indicated they combined boiler insurance with other municipal and county organizations to obtain one blanket insurance coverage. Inasmuch as separate interests are involved, these replies should be studied carefully.

- Eight school districts believed they economized in insurance by using professional appraisers.

Chapter Summary:

This chapter discusses the administrative practices in Iowa public four-year high school districts as reported by 560 of the 648 schools that gave responses to questionnaires sent to them by the State Department of Public Instruction.

The facts and practices in Iowa school districts concerning school property insurance might be summarized as follows:

1. There is nothing in the Iowa Code that forces school boards to carry insurance other than the purchase of surety bonds for a secretary, a treasurer, or any employee of a high school district who handles school funds. However, the Code does give boards permission to carry insurance on school property and liability on school bus drivers.

2. Only three schools had any complaint about the services rendered by insurance companies.

3. In the selection of an insurance company a major contributing factor was the service given by the local insurance agent.

4. Approximately three-fourths of Iowa public high schools were not appraising their school property as often as recommended.

5. Insurance company engineers were used to appraise school property for insurance purposes in 236 public high school districts.

6. In the majority of schools the school board had the direct responsibility for the insurance programs.

7. Only 28 per cent of the 560 school districts responding used or employed a chief insurance adviser.

8. Less than half of the schools answering the questionnaire had a common expiration date for their insurance policies.

9. A large majority of Iowa high school districts had their insurance programs set up so that the premiums due each year would be in similar amounts.

10. Self-insurance is a term not fully understood by school officials. It is doubtful that any Iowa school district is carrying self-insurance in its full meaning.

Chapter III

FIRE INSURANCE

School districts throughout Iowa carry a variety of insurance policies but the most common type of insurance carried is fire insurance. The basic fire insurance policy covers loss by fire and lightning of a building, a group of buildings and their contents, or a building and its contents. This policy may be modified by adding endorsements, or waivers or permits. This chapter will be concerned mainly with basic fire insurance policies and the most common forms of endorsements.

Co-Insurance

On page 60 of School Business, published by the State Department of Public Instruction (1958), is this explanation of co-insurance:

> "A co-insurance contract is an agreement between a school district and an insurance company whereby the school district agrees to carry coverage at 80 per cent, 90 per cent or 100 per cent of the actual cash value of its property. The more coverage that is purchased the less the rate. In order to qualify for a reduced rate, a school district agrees to carry a specified amount of insurance, usually 80 per cent, but sometimes 90 per cent or 100 per cent of the cash value of the building and/or its contents.
>
> "If co-insurance is carried and there is a loss, the district collects the amount of its loss up to the face amount of the policy. If the school district carries less than the 80 per cent or more than is designated in co-insurance policies, then in case of loss the district will be penalized in direct proportion to the amount of insurance it neglected to procure. . . .
>
> "The rates of co-insurance vary according to the per cent of coverage, the type of construction used in the building and the nature of local fire protection which is provided. . . ."

The 1959 Encyclopedia Americana, Volume 15, page 184, describes co-insurance as follows:

> "Sometimes known as the Reduced Rate Contribution or Average Clause, it is applicable to property damage insurance of various kinds but is most prominent in fire insurance. Its purpose is to distribute equally the cost of insurance over the insuring public in proportion to individual valuations which are also appraised for relative hazards. Provides that the insurer shall be liable in the event of loss for not more than that proportion of the loss which the amount of insurance under the policy bears to the specified percentage of the actual cash value of the property insured. The percentage of co-insurance may vary but 80 per cent predominates. . . ."

Table XII presents the amounts of co-insurance in force in Iowa. A majority of the schools use the 80 per cent co-insurance policy. All of the larger schools, those in Group IV, were co-insured, and none used less than the 80 per cent rate.

TABLE XII

RATES OF CO-INSURANCE IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: AS OF JUNE 30, 1958, BY GROUP CLASSIFICATION

Co-insurance Rates In Force	School Districts				Replies	
	Group I	Group II	Group III	Group IV	Total Number	Per Cent
100 per cent	12	15	6	1	34	6.07
90 and 100 per cent	1	0	0	0	1	.18
90 per cent	50	52	14	9	125	22.32
80 and 90 per cent	3	9	2	1	15	2.68
80 per cent	171	116	27	14	328	58.57
70 per cent	8	0	0	0	8	1.43
50 per cent	2	1	0	0	3	.54
No Co-insurance	34	10	2	0	46	8.21
Total	281	203	51	25	560	100.00

Replacement Cost Insurance

Replacement cost insurance has only been available in Iowa since 1956, yet 47 per cent of the responding school districts, or 264 districts, availed themselves of this type of coverage.

Replacement insurance replaces any property destroyed that is covered by the policy, and disregards the factor of depreciation.

Deductible Coverage

Only one school (Cedar Rapids) had a deductible type of insurance coverage. Eleven other districts stated they had deductible insurance but their amounts of $50.00 and $100.00 were not possible, inasmuch as this type of endorsement is not written in multiples less than $5,000.00. (New insurance filings, effective January 1, 1960, provide for smaller deductibles.)

Deductible coverage on school property is similar to deductible coverage on an automobile but involves larger amounts per unit of reduction. There is a decided reduction in the rate on this type of insurance policy and the larger the deduction the lower the rate.

It is quite expensive to settle the numerous small losses that occur in the insurance field and if many of these can be "written out" by deductible coverage, a considerable reduction in the insurance rate can be effected.

Blanket Insurance

A blanket insurance policy gives a certain amount of protection (stated in dollars) on several school properties but this amount does not specifically apply to any one property. Blanket insurance of 90 per cent of total values can be carried and the district might still receive full recovery on any one building.

Most of the smaller school districts in Iowa do not carry blanket insurance. No doubt this is caused by the fact that these schools have only one building to insure.

One of the advantages of blanket insurance in school districts insuring more than one building is the fact that school officials know that all property is covered even though it might be moved from one building to another. Another advantage is the establishment of one rate which eliminates the detailed record-keeping involved in different properties at different rates.

Insurance Rates

There are many factors that contribute to fire insurance rates on school buildings, such as type of construction, community water supply, quality of fire protection, fire alarm service and personnel, and hazards of various sorts.

School officials should study the charges and credits shown on the rate make-up sheet of their locality and see if there might be possible reductions. Especially should plans for new school buildings be studied carefully because the largest charges in rate-making result from sub-standard construction features.

Rates on all school properties are promulgated by the Iowa Inspection Bureau, Insurance Exchange Building, Des Moines, and the officials of the Bureau will consult with school authorities any time free of charge.

One economy of an insurance program that is possible to school districts is to have insurance written on a term basis.

Very few Iowa schools write insurance for one year. A few use a three-year term policy. Of 823 fire and extended coverage insurance policies which were carried by the school districts responding to the question on insurance terms, approximately 80 per cent of them were purchased for a five-year term, 37 per cent were prepaid, and 43 per cent were paid on an annual payment plan. (Table XIII)

TABLE XIII

PERIODS OF FIRE AND EXTENDED COVERAGE INSURANCE POLICIES IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: AS OF JUNE 30, 1958, BY GROUP CLASSIFICATION

Periods of Policies	Number of Policies					
	Group I	Group II	Group III	Group IV	Total Number	Per Cent
1 year	27	30	4	0	61	7.41
3 year prepaid	31	30	7	1	69	8.40
3 year annual payment plan	18	16	3	2	39	4.73
5 year prepaid	150	98	34	19	301	36.57
5 year annual payment plan	179	142	25	7	353	42.89
Total Policies	405	316	73	29	823	100.00
No. of Districts Reporting	273	199	56	25	553	98.75*

*Based on the 560 responding school districts.

Extended Coverage Insurance

One of the most common types of endorsements to a fire insurance policy is extended coverage. This is simply an extension of the regular coverage of damage by fire and lightning to other perils such as explosion, smoke, wind, hail, aircraft, riots, and vehicle damage. Such coverage does not increase the amount of insurance on a building or on the contents of a building. The inclusion of all coverages in a single policy provides more comprehensive insurance coverage to the school district and should be cheaper than a number of individual policies.

To the question submitted to Iowa schools, "Do you have an extended coverage endorsement on your fire insurance policy?" from the 560 school districts responding 495 or 88 per cent of them had such coverage. (Table XIV)

TABLE XIV

TYPES OF FIRE AND EXTENDED COVERAGE INSURANCE POLICIES IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: AS OF JUNE 30, 1958, BY GROUP CLASSIFICATION

Types of Policies	School Districts				Replies	
	Group I	Group II	Group III	Group IV	Total Number	Per Cent
Blanket Building and Contents	100	81	18	6	205	37.01
Specific Schedule Building and Contents	177	117	33	18	349	62.99
Total Districts Reporting	277	198	51	24	550	100.00
Total Districts Per Group	281	203	51	25	560	----

Iowa school districts were requested to list the amount of fire insurance in force, the premiums paid and the amount of claims collected. They were also asked to give similar information for fire insurance extended coverage costs and losses. Tables XV and XVI show the responses as compiled according to groups and totals.

- Some of the smallest schools carried insurance in amounts from $25,000 to $75,000 which showed them under-insured as compared to other schools of comparable size in Iowa.

Of the 110 fire losses reported in Table XV the smallest loss was $15.00, the largest loss $287,000, and the average loss $8,459. The fire insurance loss ratio of premiums was 42.44 per cent ranging from 20.32 per cent for Group IV to 81.67 per cent for Group III over a five-year period. As shown in Table XVI the extended coverage endorsement loss ratio of premiums paid over a five-year period was 41.35 per cent, ranging from 10.65 per cent in Group III to 110.70 per cent in Group I.

TABLE XV

FIRE INSURANCE COVERAGES, COSTS, LOSSES, AND LOSS RATIOS IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: FROM JULY 1, 1953 TO JUNE 30, 1958, BY GROUP CLASSIFICATION

School Districts	Fire and Extended Coverage		Costs		Losses			Per Cent Loss Ratio
	Limits in Force	No. of Replies	Premiums Paid	No. of Replies	Claims Collected	No. of Claims	Average Per Loss	
Group I	$ 51,301,494	275	$ 651,243	270	$ 395,073	45	$ 8,779	60.66
Group II	89,297,560	196	689,667	190	144,833	35	4,139	21.00
Group III	54,362,289	49	354,199	40	289,619	11	26,329	81.67
Group IV	163,372,365	24	497,298	24	101,047	19	5,319	20.32
Total	$358,333,708	544	$2,192,407	524	$930,572	110	$ 8,460	42.44

TABLE XVI

FIRE INSURANCE EXTENDED COVERAGE ENDORSEMENT COSTS LOSSES, AND LOSS RATIOS IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: FROM JULY 1, 1953 TO JUNE 30, 1958, BY GROUP CLASSIFICATION

School Districts	Number of Replies	Costs	Losses			Per Cent Loss Ratio
		Premiums Paid	Claims Collected	No. of Claims	Average Per Loss	
Group I	253	$ 170,532	$ 188,784	87	$ 2,170	110.70
Group II	175	204,702	34,351	46	747	16.78
Group III	44	103,596	11,031	16	689	10.65
Group IV	23	194,151	44,136	13	3,395	22.73
Total	495	$ 672,981	$ 278,302	152	$ 1,831	41.35

Best's "Insurance Reports" has this to say about insurance loss ratios:

"It has generally been accepted by the insurance industry that 50 per cent is an allowable loss ratio, thereby leaving 42 per cent for acquisition costs. Thus, the generally accepted standard for casualty insurance is as follows:

Acquisition Cost (cost of doing business, selling service, and overhead)	42%
Allowable Loss Ratio	50%
Underwriting Profit	5%
Conflagration (extensive property damage)	3%[2]

Best also found the fire insurance national loss ratio from 1953 to 1958 was 44.35 per cent for both stock and mutual companies.[3] Iowa's per cent loss ratio of 42.44 was

[2] Best's Fire and Casualty Aggregate and Averages, Fifteenth-Twentieth Annual Editions. (New York: Alfred M. Best Company, Inc., 1954-59)

[3] Ibid.

slightly lower than the national ratio, but no sound conclusion for insurance loss ratios can be made on a five-year period. However, in studying the information on extended coverage loss, Table XVI, the difference between Iowa's per cent loss ratio of 41.35 per cent and the national loss ratio of 54.61 seemingly is significant.

Vandalism and Malicious Mischief Insurance

An endorsement might be added to a fire insurance extended coverage policy, covering direct property loss due to vandalism and malicious mischief, but only 153 Iowa districts carried such an endorsement.

From Table XVII it is interesting to note that only 40 claims were reported in the five-year study period and the average claim was only $86.47. It is also significant that there was a per cent loss ratio of only 17.21.

TABLE XVII

VANDALISM AND MALICIOUS MISCHIEF INSURANCE COSTS, LOSSES, AND LOSS RATIOS IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS, FROM JULY 1, 1953 TO JUNE 30, 1958, BY GROUP CLASSIFICATION

School Districts	Number of Replies	Costs	Losses			Per Cent Loss Ratio
		Premiums Paid	Claims Collected	No. of Claims	Average Per Loss	
Group I	56	$ 3,227	$ 261	7	$ 37	8.09
Group II	65	4,371	1,024	13	79	23.43
Group III	22	4,010	711	7	102	17.73
Group IV	10	8,482	1,463	13	113	17.25
Total	153	$ 20,090	$ 3,459	40	$ 86	17.21

The information of Tables XVIII, XIX and XX was taken from files of the State Fire Marshal's Office in Des Moines, as compiled and described by Mr. Simpson.[4] Of the 40 school fires reported in the five-year period over 50 per cent of them started in school building basements and the majority of them occurred while school was in session.

TABLE XVIII

TIMES OF OCCURRENCE OF IOWA PUBLIC SCHOOL FIRES, FROM JANUARY 1, 1953 TO DECEMBER 31, 1957

Occurrence of Fires	No. of Fires
Time of Fires:	
Midnight to 6:00 A.M.	8
6:00 A.M. to Noon	8
Noon to 6:00 P.M.	17
6:00 P.M. to Midnight	7
Total Number of Fires	40
Operating Status of Schools:	
Schools Closed	16
Schools Occupied-- (not in session)	10
Schools in Session	14
Total Number of Fires	40

[4]George Charles Simpson, Insurance Practices in the Iowa Public High School Districts. (Doctoral Dissertation in Teachers College, Columbia University, 1960.)

TABLE XIX

PLACES OF ORIGIN OF IOWA PUBLIC SCHOOL FIRES, FROM JANUARY 1, 1953 TO DECEMBER 31, 1957

Place of Origin	Base-ment	First Story	Upper Story	Attic	Total
Classroom	1	1	1	0	3
Unused area	1	0	0	1	2
Furnace room	4	0	0	0	4
Storage room	3	0	0	2	5
Auditorium	0	0	1	0	1
Stage	0	1	0	0	1
Unknown usage	5	0	0	0	5
Janitor's room	3	0	0	0	3
Floor or ceiling	0	0	0	2	2
Gymnasium	0	1	0	0	1
Manual training room	0	2	0	0	2
Hallway	1	0	0	0	1
Kitchen	0	2	0	0	2
Laboratory	0	1	1	0	2
Under building or in yard	2	0	0	0	2
Teacher's room	0	0	1	0	1
Student locker room	0	1	0	0	1
Utility room	2	0	0	0	2
Total Number of Fires	22	9	4	5	40

TABLE XX

CAUSES OF IOWA PUBLIC SCHOOL FIRES, FROM JANUARY 1, 1953 TO DECEMBER 31, 1957

Causes of Fires	No. of Fires	
Electrical:		
Wiring, overloaded or short circuit	2	
Appliances, defective	1	
Motors, defective	1	
Total		4
Heating and Cooking Equipment, Defective or Poor Installation:		
Central heating systems	1	
Smokepipes	3	
Chimneys	4	
Unit heaters and stoves	2	
Total		10
Incendiary:		
Vandalism	2	
Other or unknown persons	3	
Total		5
Miscellaneous:		
Smoking and matches	2	
Lightning	1	
Spontaneous ignition, rags, and mops	5	
Gas explosions	1	
Originated outside, spread to building	3	
Children and matches	1	
Unknown	8	
Total		21
Total Number of Fires		40

Chapter Summary:

This chapter on fire insurance with its different types of coverage might be condensed to a few pertinent facts.

1. There was no Iowa city or public high school system that was self-insured.

2. Over 90 per cent of Iowa schools were co-insured with a majority of them using the 80 per cent rate. No large school used less than the 80 per cent rate.

3. Approximately 80 per cent of the school districts reporting used the five-year term insurance policy.

4. Replacement cost insurance was used by 47 per cent of the responding school districts.

5. Several of the smallest school districts in the state were under-insured.

6. Only one Iowa school district had a fire insurance policy with deductible coverage.

7. Extended coverage endorsement was in operation in 495 public high school districts in Iowa.

8. The loss ratio in Iowa for fire insurance and extended coverage was less than the national average.

9. Only 153 school districts carried vandalism and malicious mischief coverage and the average loss ratio for all groups was only 17.21 per cent over the five-year period.

10. From the information available in Table XV on 544 Iowa public high school districts, it may be presumed that all the 648 school districts prevailing when the survey was made had fire insurance coverage of over 400 million dollars.

11. There were 40 school fires in Iowa reported from January 1, 1953, to December 31, 1957.

12. Over half of the 40 Iowa school fires reported started in the basement of the building and the majority of them occurred while school was in session.

Chapter IV

LIABILITY INSURANCE

Liability insurance policies cover only the legal liability of a school district, and the insurance company is not legally obligated to pay anything until a court awards damages.

Liability insurance should not be confused with accident insurance or Workmen's Compensation Insurance, although Workmen's Compensation Insurance is concerned with liability. There are several types of insurance coverage which are set up to protect a school district against personal liability claims, but two types are of concern to school boards, general liability and automobile liability. These two types might be written in one policy or in separate policies. There are two types of general liability policies, the comprehensive policy, and the schedule policy. The schedule policy covers specific hazards while the comprehensive policy has a broad coverage of many hazards.

Although some school boards are greatly interested in full liability insurance protection for all who work, study, or play on school premises, there are other boards that want to protect their districts by the theory of governmental immunity.

The whole problem of liability, both legal and moral, is complicated by a 1947 opinion of the Iowa Attorney General which states that school districts are not authorized to purchase general liability insurance.[5]

The Iowa Code, Section 285.10 (6), 1958, gives local school boards permission to pay for personal liability insurance on drivers of school buses and other school vehicles.

Mr. Abels states: "Whether additional authority exists for the board to purchase insurance for its employees against liability arising out of other acts is controversial by reason of the ambiguity of the pertinent statute."[6] (Section 517A.1, Code 1958, as amended by the 58th General Assembly.)

The question of carrying general liability coverage was put to the high school districts of Iowa. Of the 555 school districts responding, 161 districts stated they had such coverage. The per cent loss ratio of premiums over the five-year period was 15.90. (Table XXI)

The property damage limits of general liability carried by the responding school districts displayed a wide range from a low of $5,000 to a high of $25,000, with $5,000 being the most frequent amount of coverage.

The bodily injury limits per person of general liability insurance carried by the responding school districts ranged from $5,000 to $400,000 with $50,000 and $100,000 being the most frequent amounts of coverages.

Liability Coverage for Teachers

School districts were asked: "Do you provide liability coverage for your teaching personnel?"

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[5] Opinion of Attorney General, October 14, 1947.

[6] Leonard C. Abels, Assistant Attorney General for Iowa, Tort Liability of Iowa School Districts, MIDLAND SCHOOLS, April, 1960, p. 12.

TABLE XXI

GENERAL LIABILITY INSURANCE COSTS, LOSSES, AND LOSS RATIOS IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: FROM JULY 1, 1953 TO JUNE 30, 1958, BY GROUP CLASSIFICATION

School Districts	Number of Replies	Costs	Losses		Per Cent Loss Ratio
		Premiums Paid	Claims Collected	No. of Claims	
Group I	78	$ 20,077	$ 1,721	10	8.57
Group II	58	22,161	6,196	6	27.90
Group III	17	20,268	1,263	3	6.23
Group IV	8	24,754	4,700	1	18.99
Total	161	$ 87,260	$ 13,880	20	15.90

Of the 526 schools responding, 126 schools, or 23.95 per cent, carried liability coverage for their teachers. Teacher liability coverage includes insurance that protects teachers from lawsuits whereby students have been injured by alleged negligence of teachers. It does not cover injuries suffered by teachers--that comes under Workmen's Compensation Insurance. (Table XXII)

Some states protect their teachers by what is known as "Save Teachers Harmless" laws, but Iowa is not one of these states. The Iowa State Education Association and the American Federation of Teachers offer Iowa teachers liability insurance as part of their membership.

Pupil Accident Insurance

Pupil accident insurance is offered in Iowa on a voluntary basis. (Read page 64 of School Business by the Iowa Department of Public Instruction, 1958, for details on insurance for pupils and athletes.)

Practically all the high schools in Iowa, over 95 per cent at least, had some type of pupil accident insurance. Over three-fourths of all premiums were paid by the person covered. The most common annual premium rate was $1.50 for pupils from the kindergarten through the sixth grade, and $2.25 for pupils from the seventh through the twelfth grade.

TABLE XXII

NUMBER OF IOWA PUBLIC HIGH SCHOOL DISTRICTS WITH TEACHER LIABILITY COVERAGE, AS OF JUNE 30, 1958, BY GROUP CLASSIFICATION

School Districts	Total Replies Per Group	Teacher Liability Coverage	
		No. of Replies	Per Cent Replies
Group I	260	66	25.38
Group II	191	45	23.56
Group III	50	13	26.00
Group IV	25	2	8.00
Total	526	126	23.95

The limits of insurance carried varied from a high of $7,500 to a low of $500 with $1,000 and $1,500 mentioned most frequently.

Where the premiums were paid individually, nine districts had 100 per cent participation; Group I had 68 per cent participation, Group II 66 per cent, Group III 57 per cent and Group IV 52 per cent. (Table XXIII)

Mr. Simpson states:

"The most common features of the pupil accident insurance policies in Iowa were:

1. All policies were issued for one year only; some in force for ten months, and others for twelve months.

2. All policies covered inter-school activities, excluding sports in high school, and including transportation to and from high school events.

3. All policies reimbursed a family for medical and hospital costs, regardless of the family's other insurance policies in force, and also included an indemnity schedule for loss of limb and sight.

4. All policies contained a death indemnity clause.

5. The policies did not cover hernia injuries, acts of war, disease and bacterial infections, and accidents not under the supervision of a qualified instructor.

TABLE XXIII

PUPIL ACCIDENT INSURANCE PREMIUM PAYEES IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: AS OF JUNE 30, 1958, BY GROUP CLASSIFICATION

Premium Payees	School Districts				Replies	
	Group I	Group II	Group III	Group IV	Total Number	Per Cent
Person Covered	217	146	27	14	404	76.92
School Board	7	3	0	0	10	1.91
Athletic Dept.	2	1	0	2	5	.96
Person Covered & School Board	5	4	1	0	10	1.91
Person Covered & Athletic Dept.	16	37	18	5	76	14.48
School Board & Athletic Dept.	1	2	0	0	3	.58
Others	11	5	0	1	17	3.24
Total	259	198	46	22	525	100.00

6. Rates varied according to the medical payment schedule, grades of the children in the school system, and athletic and non-athletic events.

7. The policies became effective one hour before school was in session, and ceased one hour after the student was dismissed from school, except for other school sponsored activities.

8. The limits of pupil accident insurance showed a range from a high of $7,500 to a low of $500, with $1,500 the most frequent amount of coverage."[7]

[7] George Charles Simpson, Insurance Practices in the Iowa Public High School Districts. (Doctoral Dissertation in Teachers College, Columbia University, 1960.)

Chapter Summary:

1. School districts in Iowa operate under the doctrine of governmental immunity from liability.

2. The purchase of liability insurance by a school district is illegal according to an Iowa Attorney General's Opinion of 1947. Nevertheless, about one-third of Iowa high school districts do carry such insurance from a sense of moral responsibility.

3. Other states have been held liable by their courts but a case of school liability has never come before the Iowa Supreme Court.

4. The comprehensive liability insurance policy is the most popular type of policy purchased.

5. There was a decided range in the limits for bodily injury liability insurance per person ($5,000 to $400,000), per accident ($5,000 to $500,000) and for property damage ($5,000 to $25,000), but the most frequent coverage by the school districts was $25,000 per person, $50,000 to $100,000 per accident and $5,000 for property damage.

6. Teachers had liability coverage in 126 school districts.

7. Over 95 per cent of Iowa high school districts carry pupil accident insurance, all on a voluntary basis.

8. Of all the school districts reporting, over three-fourths of the pupil accident insurance was paid by the person covered. The loss ratio of premiums paid was 15.90 per cent over the five-year period.

Chapter V

MOTOR VEHICLE INSURANCE

In Iowa during the school year of 1958-1959, there were 211,045 children transported in 4,671 public school buses, covering 41,544,842 miles at a cost of $11,922,332.80.[8]

Section 285.10 of the Iowa Code gives authority to school boards to:

> ". . . purchase liability insurance or such other coverage as deemed necessary to protect the driver or any authorized employee from liability incurred by said driver or employee as a result of operating the bus and for damages or accident resulting in injury or death to the pupils or employees being legally transported."

Section 285.8 of the Iowa Code gives the State Department of Public Instruction power to establish standards for the protection and safety of pupils transported to and from public schools. The Division of Transportation of the Department of Public Instruction therefore has set up the following standards and regulations (See Bulletin TR-B-1-254, Division of Transportation):

"1. The board of education shall carry insurance on all school-owned buses and see that insurance is carried by all contractors hired by the board to transport pupils.

2. Liability Insurance. Inasmuch as school bus drivers may be sued for damages arising as a result of accident, no individual should drive a bus unless fully covered by liability insurance. Since drivers frequently change during the year, the board of education shall carry insurance on all buses so written as to protect all approved drivers. Insurance shall be carried at the minimum amount of ten thousand dollars--one hundred thousand dollars liability for each bus.

3. Property Damage. Property damage coverage in the amount of five thousand dollars shall also be carried.

4. Medical Care--Hospitalization. Liability insurance does not cover injuries received by children in accidents caused by other vehicles or from other causes not resulting from carelessness, etc., on the part of the driver of the school bus. Therefore, medical insurance of at least five hundred dollars per pupil should be carried.

5. Liability and medical care insurance should be purchased for the school term only, except for buses which are to be used for approved activities during the summer months.

6. Fire, theft, wind storm, and comprehensive insurance should be carried on each bus.

7. Collision insurance is not recommended and cannot be added to the cost of transportation assessed against rural districts."

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[8] Data from the Transportation Division of the Iowa State Department of Public Instruction.

- Two types of liability coverage are included in motor vehicle liability insurance, that of bodily injury and that of property damage.

The school districts in Iowa were asked: "Do you have motor vehicle liability insurance?" There were 539 public high school districts that answered in the affirmative.

Tables XXIV, XXV, XXVI and XXVII cover Groups I, II, III and IV of the school districts. It is of note that Group IV, or the largest schools, was the only group of schools having 100 per cent participation in motor vehicle liability insurance.

TABLE XXIV

MOTOR VEHICLE LIABILITY INSURANCE COVERAGES IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: GROUP I, AS OF JUNE 30, 1958

Motor Vehicle Liability Coverages	Limits Reported			Number of Districts Reporting
	Most Used Amount	Highest Amount	Lowest Amount	
Bodily Injury Per Person:				
Buses	$ 10,000	$ 300,000	$ 5,000	259
Cars	50,000	300,000	5,000	97
Trucks	10,000	100,000	10,000	15
Bodily Injury Per Accident:				
Buses	100,000	500,000	10,000	255
Cars	100,000	300,000	7,500	95
Trucks	100,000	300,000	10,000	14
Property Damage:				
Buses	5,000	200,000	5,000	253
Cars	5,000	200,000	5,000	92
Trucks	10,000	50,000	5,000	14

TABLE XXV

MOTOR VEHICLE LIABILITY INSURANCE COVERAGES IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: GROUP II, AS OF JUNE 30, 1958

Motor Vehicle Liability Coverages	Limits Reported			Number of Districts Reporting
	Most Used Amount	Highest Amount	Lowest Amount	
Bodily Injury Per Person:				
Buses	$ 10,000	$ 300,000	$ 5,000	200
Cars	50,000	300,000	5,000	144
Trucks	50,000	300,000	10,000	53
Bodily Injury Per Accident:				
Buses	100,000	500,000	20,000	199
Cars	100,000	500,000	5,000	144
Trucks	100,000	300,000	20,000	53
Property Damage:				
Buses	5,000	100,000	5,000	196
Cars	10,000	100,000	5,000	141
Trucks	5,000	100,000	5,000	53

TABLE XXVI

MOTOR VEHICLE LIABILITY INSURANCE COVERAGES IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: GROUP III, AS OF JUNE 30, 1958

Motor Vehicle Liability Coverages	Limits Reported			Number of Districts Reporting
	Most Used Amount	Highest Amount	Lowest Amount	
Bodily Injury Per Person:				
Buses	$ 50,000	$ 300,000	$ 10,000	48
Cars	50,000	300,000	10,000	41
Trucks	50,000 and 100,000	300,000	10,000	28
Bodily Injury Per Accident:				
Buses	100,000	500,000	20,000	48
Cars	100,000	300,000	20,000	41
Trucks	100,000 and 300,000	300,000	20,000	28
Property Damage:				
Buses	5,000 and 10,000	50,000	5,000	48
Cars	10,000	50,000	5,000	41
Trucks	5,000	50,000	5,000	28

TABLE XXVII

MOTOR VEHICLE LIABILITY INSURANCE COVERAGES IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: GROUP IV, AS OF JUNE 30, 1958

Motor Vehicle Liability Coverages	Limits Reported			Number of District Reporting
	Most Used Amount	Highest Amount	Lowest Amount	
Bodily Injury Per Person:				
Buses	$ 100,000	$ 100,000	$ 10,000	21
Cars	100,000	100,000	10,000	21
Trucks	10,000 and 50,000	300,000	10,000	22
Bodily Injury Per Accident:				
Buses	300,000 and 100,000	300,000	50,000	21
Cars	300,000	500,000	50,000	21
Trucks	100,000 and 300,000	500,000	20,000	22
Property Damage:				
Buses	5,000	5,000	5,000	20
Cars	10,000	100,000	5,000	21
Trucks	5,000 and 10,000	100,000	5,000	22

- The most frequently reported bodily injury limits per person of the school districts responding to the question on motor vehicle liability insurance were:

  $10,000 on buses

  $50,000 on cars

  $50,000 and $10,000 on trucks

- The most frequently reported bodily injury limit per accident on buses, cars and trucks was $100,000.

- The most frequently reported property damage limits were:

  $ 5,000 on buses

  $10,000 on cars

  $ 5,000 on trucks

Motor Vehicle Liability Insurance Costs and Losses

From Table XXVIII comes the information that over the five-year period studied, the motor vehicle liability insurance loss ratio of premiums paid in 539 Iowa public high school districts was 14.68 per cent. The loss ratio ranged from a low of 9.87 per cent in Group II to a high of 31.50 per cent in Group III.

The Iowa 14.68 per cent loss ratio was much below that of three national rating bureaus of 17.53 per cent, 37.29 per cent and 46.24 per cent, over the same period of time. It should be understood that the national ratios included both parochial and private schools as well as the public schools.[9]

Of the 494 schools responding to the question relating to motor vehicle liability insurance, 936 claims were filed over the five-year period. Group II school districts filed the most claims, but Group IV had the highest number of claims per school district.

4 districts had over 30 accidents

1 district had 73 accidents

1 district had 64 accidents

Perhaps the high number of accidents in the large school systems was partially caused by the fact that these systems have more extensive transportation systems, and there are many more hazards in cities than in small towns and rural areas.

Collision Insurance

Although the Iowa Department of Public Instruction does not recommend that districts carry collision insurance, and the cost of such insurance cannot be added to transportation

[9] George Charles Simpson, Insurance Practices in the Iowa Public High School Districts. (Doctoral Dissertation in Teachers College, Columbia University, 1960.) p. 148.

TABLE XXVIII

MOTOR VEHICLE LIABILITY INSURANCE COSTS, LOSSES, AND LOSS RATIOS IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: FROM JULY 1, 1953 TO JUNE 30, 1958, BY GROUP CLASSIFICATION

School Districts	Number of Replies	Costs	Losses		Per Cent Loss Ratio
		Premiums Paid	Claims Collected	No. of Claims	
Group I	245	$ 182,898	$ 24,102	131	13.18
Group II	184	247,390	24,442	380	9.87
Group III	42	71,630	22,565	152	31.50
Group IV	23	52,607	10,239	273	19.46
Total	494	$ 554,525	$ 81,348	936	14.68

TABLE XXIX

MOTOR VEHICLE COLLISION INSURANCE COSTS, LOSSES, AND LOSS RATIOS IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: FROM JULY 1, 1953 TO JUNE 30, 1958, BY GROUP CLASSIFICATION

School Districts	Number of Replies	Costs	Losses		Per Cent Loss Ratio
		Premiums Paid	Claims Collected	No. of Claims	
Group I	170	$ 73,480	$ 12,611	15	17.21
Group II	116	57,638	13,928	22	27.07
Group III	30	16,090	2,899	11	18.02
Group IV	9	7,191	1,076	4	19.25
Total	325	$ 154,399	$ 32,534	52	21.20

costs assessed against rural districts, yet 346 school districts carried this type of coverage. It will be observed from Table XXIX that only 52 claims were reported with a low loss ratio of only 21.20 per cent.

Comprehensive Insurance on Motor Vehicles

Comprehensive bus insurance is similar to comprehensive fire insurance in that one policy covers several items that might be written in separate policies. Policies might also be written with deductible clauses.

Most comprehensive insurance policies for motor vehicles cover all risks except collision and this might be included if desired.

In Iowa 467 school districts were carrying $4,528,788 of motor vehicle comprehensive insurance (1959). The amount of money paid in premiums was $172,861, and the amount of claims collected was $31,124, a per cent loss ratio of 18.00 over the five-year period studied from 1953 to 1958. (Table XXX)

States Mr. Simpson: "Data compiled from Best's Aggregate and Averages showed that the motor vehicle comprehensive insurance national loss ratio average from 1953 to 1958 was: (1) for stock insurance companies, 51.65 per cent; and (2) for mutual insurance companies, 55.58 per cent. In comparing the loss ratio of 18 per cent found in this study, it appears that the Iowa public high school districts are a better risk than the national averages. . ."[10]

TABLE XXX

MOTOR VEHICLE COMPREHENSIVE INSURANCE COSTS, LOSSES, AND LOSS RATIOS IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: FROM JULY 1, 1953 TO JUNE 30, 1958, BY GROUP CLASSIFICATION

School Districts	Number of Replies	Costs	Losses		Per Cent Loss Ratio
		Premiums Paid	Claims Collected	No. of Claims	
Group I	212	$ 66,460	$ 12,612	90	18.98
Group II	152	73,174	11,954	73	16.33
Group III	38	20,943	5,093	28	24.31
Group IV	17	12,284	1,465	13	11.93
Total	419	$ 172,861	$ 31,124	204	18.00

[10] George Charles Simpson, Insurance Practices in the Iowa Public High School Districts. (Doctoral Dissertation in Teachers College, Columbia University, 1960.) p. 156-157.

Medical Payment Insurance

The medical payment coverage of motor vehicle insurance usually includes "reasonable expenses incurred within one year from the date of accident for necessary medical, surgical, and dental services . . . while in or upon, or while entering into or alighting from, or through being struck by an automobile." (Standard Non-Assessable Automobile Policy Form.)

Cars and buses were the vehicles most frequently covered by medical payment insurance in Iowa school districts.

TABLE XXXI

TYPES OF VEHICLES COVERED BY MOTOR VEHICLE MEDICAL PAYMENT INSURANCE IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: AS OF JUNE 30, 1958, BY GROUP CLASSIFICATION

Types of Insured Vehicles	Number of Policies					
	Group I	Group II	Group III	Group IV	Total Number	Per Cent
Cars	84	133	35	11	263	46.96
Buses	246	190	46	18	500	94.70
Tractors	1	6	4	4	15	2.68
Trucks	12	43	24	4	83	15.18
Others	4	4	3	1	12	2.14
Total Policies	347	376	112	38	873	-----
No. of Districts Reporting	261	197	49	21	528	-----

Medical Payment Limits

Almost all Iowa school districts had medical payment coverage limits of $500. The highest limit reported was $5,000.

TABLE XXXII

MEDICAL PAYMENT LIMITS OF MOTOR VEHICLE INSURANCE IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: AS OF JUNE 30, 1958, BY GROUP CLASSIFICATION

Medical Payment Limits	School Districts				Replies	
	Group I	Group II	Group III	Group IV	Total Number	Per Cent
$500	168	118	26	9	321	60.00
$1,000	58	75	17	7	157	29.43
Others	30	16	7	3	56	10.57
Total	256	209	50	19	535	100.00

Chapter Summary:

This chapter has been primarily concerned with the types of insurance coverage that pertains to the transportation of school children. With the growth of enlarged school districts in Iowa, more and more children will be riding buses and school officials will need to be more vigilant in their concern for the safety and welfare of the "commuters."

Certain information furnished by Iowa school districts relative to transportation might be significant.

1. The cost of school bus insurance could be reduced by the purchase of fleet insurance.

2. Boards of education are mandated to carry insurance on school buses and bus drivers.

3. Practically all the school districts in Iowa have motor vehicle liability insurance.

4. Collision insurance is not recommended but 346 Iowa schools carried such coverage. Only 52 claims were reported. The per cent of loss ratio was 21.20.

5. The per cent loss ratio of comprehensive insurance on motor vehicles was only 18.00 over the five-year period studied.

6. Medical payment insurance was carried mostly on cars and buses. Most schools had a coverage limit of $500.

7. The results of the survey on transportation show a need for a closer study of the difference between the loss ratio of all motor vehicles in operation in the nation and the loss ratio of Iowa public high school districts.

Chapter VI

OTHER TYPES OF CASUALTY INSURANCE

Workmen's Compensation Insurance

Chapters 85, 86 and 87 of the Iowa Code set up the definitions, description, and procedures of Workmen's Compensation Insurance.

Iowa school districts are not compelled to carry this type of coverage but if an employee suffers an injury, the district is liable as provided by the Workmen's Compensation law.

As stated in School Business:

"Workmen's Compensation Insurance protects a school district:

a. Against liability for loss because of injuries to employees in or on premises controlled by the employer, or elsewhere if on the employer's business.

b. Against liability for death resulting from personal injury.

c. Against liability for disease if it is a result of an injury.

d. Against liability for certain occupational diseases.

". . . School children are not employees of a school district and therefore are not covered by the provisions of the statute.

". . . Teachers, janitors, cooks, bus drivers, and other school employees regularly employed come under the protection of the Workmen's Compensation statute."[11]

- A Workmen's Compensation insurance policy is always for a one-year term, its rates vary with occupations and hazards, and its premium is based on the estimated earnings of employees.

Table XXXIII shows 531 public high school districts in Iowa carrying Workmen's Compensation Insurance. Of these 531 districts only 254 districts reported amounts collected for losses.

- The loss ratio for this type of insurance was difficult to figure because many districts did not report how much money they had received for losses. There were 2,411 claims filed over the five-year period of the survey.

Surety Bonds

As has been previously stated in this brochure, a surety bond is not an insurance policy on a school official. It protects the school district from loss caused by an official covered by the bond.

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[11] A. B. Grimes and I. N. Seibert, School Business (Published by the Department of Public Instruction, State of Iowa, 1958), p.63.

TABLE XXXIII

NUMBER OF IOWA PUBLIC HIGH SCHOOL DISTRICTS WITH WORKMEN'S COMPENSATION INSURANCE: AS OF JUNE 30, 1958, BY GROUP CLASSIFICATION

School Districts	Total Districts Per Group	Workmen's Compensation	
		No. of Replies	Per Cent Replies
Group I	281	255	90.75
Group II	203	201	99.01
Group III	51	51	100.00
Group IV	25	24	96.00
Total	560	531	94.82

Surety bonds are required of a school secretary, a school treasurer, and any employee of a school district handling extra-curricular funds.

Surety bonds are required of the secretary and treasurer of a school district for no less than five hundred dollars. No minimum is set for other employees handling school district money but many school boards demand bonds as large as the largest amount of money an employee might handle at any one time.

Surety bonds may be filed for any number of years. Some are written for an indefinite number of years; others run concurrently with the official's term of office. Some Iowa school boards prefer that a new bond be filed each year.

There are several types of surety bonds but Iowa school boards prefer either an individual bond or a blanket bond. The advantages of a blanket bond center about these points:

1. All employees of the school district are covered.

2. The policy runs for one year and the premium remains stable.

3. New employees may be hired and the policy automatically covers them immediately.

4. Recovery from loss is paid when proof of loss is determined, thus eliminating lengthy examinations and record-keeping.

5. Blanket coverage is more economical than individual coverage.

Almost half of Iowa school districts carried surety bond coverage exceeding the amounts required by the state.

- From Table XXXIV it would appear that Iowa school employees are an honest lot. With a per cent loss ratio of premiums paid over a five-year period of only 1.07 per cent as compared to 48.4 per cent national average for mutual insurance companies and 37.2 per cent for stock insurance companies over the same period,[12] it would seem that surety bonding business of Iowa public high school districts certainly is not a losing proposition.

TABLE XXXIV

SURETY BONDS COSTS, LOSSES, AND LOSS RATIOS IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: FROM JULY 1, 1953 TO JUNE 30, 1958, BY GROUP CLASSIFICATION

School Districts	Number of Replies	Costs	Losses		Per Cent Loss Ratio
		Premiums Paid	Claims Collected	No. of Claims	
Group I	233	$ 49,446	$ 1,228	2	2.48
Group II	181	54,740	0	0	0
Group III	43	16,781	0	0	0
Group IV	23	17,164	253	1	1.47
Total	480	$138,131	$ 1,481	3	1.07

Boiler Insurance

Most Iowa school districts carry some type of boiler insurance. A boiler and a furnace are not the same and it should be understood that boiler insurance does not cover furnaces. A boiler heats water or converts it into steam. A furnace is a section of a heating plant that converts fuel into heat.

Boiler insurance might be obtained on a limited coverage policy or a broad coverage policy.

A broad policy covers boilers, hot water heaters, hot water tanks, motors, air compressors and other items where water is under pressure.

[12] Best's Fire and Casualty Aggregate and Averages, Fifteenth-Twentieth Annual Editions. (New York: Alfred M. Best Company, Inc., 1954-59)

Of the Iowa public high schools questioned on boiler insurance, 552 of them replied. Of these, 421 districts, or 76.26 per cent, carried boiler insurance and most of them were insured under the broad coverage policy. Five school districts carried both limited and broad boiler policies. Only 74 school districts used the limited form boiler insurance policy.

TABLE XXXV

BOILER INSURANCE COSTS, LOSSES, AND LOSS RATIOS IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: FROM JULY 1, 1953 TO JUNE 30, 1958, BY GROUP CLASSIFICATION

School Districts	Limits in Force	Number of Replies	Costs	Losses		Per Cent Loss Ratio
			Premiums Paid	Claims Collected	No. of Claims	
Group I	$ 9,596,000	181	$ 51,977	$ 1,537	3	2.96
Group II	10,957,800	159	71,078	4,250	6	5.94
Group III	3,780,000	42	35,410	79	1	.22
Group IV	1,770,000	21	85,140	2,558	4	3.00
Total	$26,103,800	403	$243,605	$ 8,424	14	3.45

- Only 14 claims were filed over the five-year period and the per cent loss ratio was 3.45. No school filed more than one claim. Claims ranged from $30 to $3,000 with $601.71 as the average claim.
- The amounts of boiler insurance carried ranged from $1,000 to $750,000, with $50,000 and $100,000 as the most frequent amounts of coverage.
- Trained engineers make inspections and it is reported that forty cents of each premium dollar goes toward the cost of these inspections. This being the case, a loss ratio of 3.45 per cent is not as low as it appears.
- The national boiler insurance loss ratio from 1953 to 1958 was 26.55 per cent for stock companies and 21.05 per cent for mutual companies.[13]

[13] Best's Fire and Casualty Aggregate and Averages, Fifteenth-Twentieth Annual Editions. (New York: Alfred M. Best Company, Inc., 1954-59)

Burglary, Robbery, Theft, and Larceny Insurance

It should be understood that dishonesty of school employees is covered by surety bonds and not by insurance. There are so many technical distinctions in the definition of burglary, robbery and theft, that Iowa school officials prefer the Broad Form Money and Securities insurance policy to separate policies.

"The Broad Form Money and Securities policy is broader in its coverage than a combination of safe burglary, robbery and theft policies. It covers the loss of money and securities within the premises caused by 'destruction, disappearance or wrongful abstraction thereof' and the loss of, or damage to, property other than money and securities, and the loss of properties other than money and securities occurring outside the premises, caused by 'destruction, disappearance, or wrongful abstraction thereof' when being conveyed by messenger. It should be pointed out, however, that the foregoing coverages are contained under two optional insuring clauses, one covering inside the premises and the other covering outside the premises, either or both of which may be purchased to cover both money and securities or securities only. If both insuring clauses are used, the premiums are higher than if only one insuring clause is used.

"Other losses covered by the Broad Form Money and Securities policy are: (a) Destruction of money and securities by fire; (b) Theft of money and other property from an unlocked safe, vault, or chest; (c) Money stolen from a cash register; (d) Damage to a safe or other property if explosives are used to gain entry; (e) Damage to a locked cash register from which money is stolen; (f) Disappearance of money being conveyed by a school employee to a bank for deposit; and (g) Loss of money from the school safe if the principal or any other employee is forced to open the safe for robbers."[14]

TABLE XXXVI

BURGLARY, ROBBERY, THEFT, AND LARCENY INSURANCE COSTS, LOSSES, AND LOSS RATIOS IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: FROM JULY 1, 1953 TO JUNE 30, 1958, BY GROUP CLASSIFICATION

School Districts	Number of Replies	Limits in Force	Costs & Losses		Per Cent Loss Ratio
			Premiums Paid	Claims Collected	
Group I	64	$ 148,280	$ 6,939	$ 2,801	40.37
Group II	78	200,363	9,141	3,298	36.08
Group III	33	84,459	5,138	2,324	45.23
Group IV	18	79,978	5,957	4,804	80.64
Total	193	$513,080	$27,175	$13,227	48.67

[14] R. N. Finchum and N. E. Viles, School Insurance (Published by the U. S. Office of Education, 1959), Bulletin No. 23, p. 18.

- Of the 193 Iowa public high schools stating they carried burglary, robbery, theft, and larceny insurance, the amounts of coverage ranged from $250 to $41,000 with $1,000 the most frequent amount of coverage.

- It will be noted that the loss ratio of premiums paid over the five-year period was 48.67 per cent. According to Best, the national loss ratio from 1953 to 1958 was 40.87 per cent for stock insurance companies, and 46.06 per cent for mutual insurance companies.[15] From observation this is the only coverage where the national loss ratio was lower than the loss ratio in the Iowa public high schools on the basis of the five-year period.

Glass Insurance

Only 25 Iowa public high schools stated they had glass insurance. Evidently the small amount of glass breakage in school buildings does not warrant the cost of coverage. A standard fire policy or an extended endorsement will cover loss of glass due to fire, hail, explosion, wind and riot.

All-Risk or Floater Insurance

All-Risk insurance, Floater insurance, and Inland Marine insurance are synonymous and cover property that has no fixed location such as musical instruments, athletic equipment, costumes, audio-visual equipment, uniforms, etc. Such policies replace fire, theft, and extended coverage on other policies. School officials should take care not to have the same items on more than one policy, and to see that each item of property is listed on the insurance policy with its amount of insurance. Floater insurance must designate the actual cash value of each item insured, although a policy could be written with a deductible percentage plan.

The following question was sent to all the public high school districts in Iowa:

"Do you have the following insurance?

____ Fine Arts Policy (paintings, etchings, pictures, objects of art)

____ Musical Instruments Policy

____ Schedule Property Floater (cameras, projectors, radios, band uniforms, portable equipment which can be sold easily)"

The 321 school districts that responded had one or more of the three forms of coverage stated in the question.

310 districts carried a Musical Instrument policy

141 districts had the Schedule Property Floater policy

2 districts had the Fine Arts policy

The per cent loss ratio on Floater insurance was 31.26 per cent. (Table XXXVII)

[15] Best's Fire and Casualty Aggregate and Averages, Fifteenth-Twentieth Annual Editions. (New York: Alfred M. Best Company, Inc., 1954-59)

TABLE XXXVII

ALL-RISK INSURANCE COSTS, LOSSES, AND LOSS RATIOS IN THE IOWA PUBLIC HIGH SCHOOL DISTRICTS: FROM JULY 1, 1953 TO JUNE 30, 1958, BY GROUP CLASSIFICATION

School Districts	Number of Replies	Limits in Force	Costs & Losses		Per Cent Loss Ratio
			Premiums Paid	Claims Collected	
Group I	108	$ 789,369	$ 41,744	$ 12,843	30.76
Group II	141	1,208,186	54,696	7,195	13.21
Group III	51	789,674	33,106	19,375	58.52
Group IV	21	650,057	23,455	8,426	35.92
Total	321	$3,437,286	$153,001	$ 47,839	31.26

Chapter Summary:

The high points of Chapter VI might include the following:

1. The loss ratio of Workmen's Compensation was difficult to ascertain because the responding public school districts did not report their losses over the five-year period.

2. Iowa school districts prefer either an individual fidelity bond or a blanket fidelity bond for their employees.

3. Most Iowa school districts carry boiler insurance in a broad-coverage policy. Only 74 districts used the limited boiler policy.

4. Only 14 claims were filed for losses under boiler insurance over the five-year period with $601.71 as the average claim.

5. One hundred ninety-three Iowa high school districts carried Burglary, Robbery, Theft, and Larceny insurance policies with $1,000 the most frequent amount of coverage.

6. No statistics were compiled on Glass Insurance as only 25 school districts had this type of coverage.

7. Of the 321 school districts that stated they carried floater insurance, practically all of it was coverage on musical instruments and schedule property.

8. Iowa public high schools are preferred risks for All-Risk insurance, Surety bonds, and Boiler insurance when their average loss ratio of premiums paid is compared to national averages.

9. The only loss ratio in the five-year study that shows Iowa public high schools above the national average was in burglary, robbery and theft insurance.

Chapter VII

CONCLUSION AND CONSIDERATIONS

On June 30, 1959, Iowa public four-year high school districts had approximately 500 million dollars of fire and extended insurance on school buildings and contents, paying in premiums over $944,000. Several other types of insurance coverage were also carried with premiums amounting to hundreds of thousands of dollars.

There is no doubt that school business is the biggest business in most Iowa communities. The biggest share of property taxes go to the investment in, and operation of, school buildings.

The responsibility for properly protecting school property and the employees who work on school property is within the legal and moral responsibility of local school boards. Perhaps there is no area in school administration that is as badly neglected as the insurance field. Inasmuch as there was a need for a study of insurance practices in Iowa, a questionnaire was devised covering pertinent phases of insurance programs over a five-year period, and sent to all the public four-year high school districts in the state. The responses were analyzed, evaluated, and set up in tables, where possible, in four groups of schools based on enrollment.

The important findings of this survey have been described with a summary at the close of each chapter. It is not advisable here to repeat the chapter summaries but it is not amiss to enumerate some basic principles and needs of school insurance programs that have resulted from this survey study.

This survey has covered but five years of current insurance practices in Iowa. This is too short a period to make any major conclusions and recommendations, but it does provide evidence and trends that should be considered and given further study.

The Iowa Department of Public Instruction will continue the study of insurance practices in the public high school districts of the state. An annual report on insurance is now required from each school secretary and the information from these reports will be compiled year by year. This report covers, practically, all the insurance carried by Iowa school districts.

Perhaps the most important factor discovered in the survey of five years of practices in Iowa public high school insurance was the indifference and neglect by local school officials of providing an adequate insurance program for their school districts. School boards throughout Iowa might study these specific phases of their school insurance programs:

1. Legality

2. Responsibility of administering the program

3. Record keeping

4. Property appraisals, when and by whom

5. Economy through

    a. co-insurance

b. competitive bidding

c. mutual or stock companies

d. term policies--three or five year

e. combining insurance policies--extended insurance

f. consulting with the Iowa Inspection Bureau on ratings

g. combining school building and school contents in one rate

h. removal of fire hazards to buildings

i. fleet rates for buses

j. others

6. School district liability

7. Feasibility of a state school insurance program

8. Legislation needed (if any)

It is hoped that this study will be of benefit to school officials who are desirous of providing the best possible insurance coverage for their districts at the most reasonable cost.