

AN EXAMINATION OF RISK MANAGEMENT PRACTICES IN
THE PUBLIC SCHOOL DIVISIONS OF VIRGINIA
WITH RECOMMENDATIONS

by

James Edward Sweeney

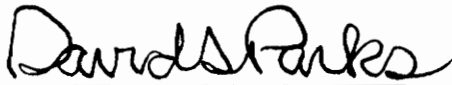
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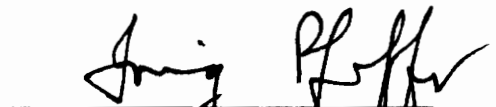
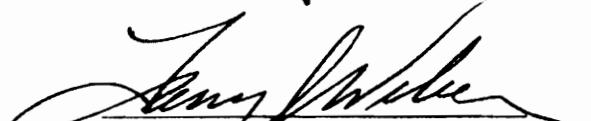
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To Trish, without her and Doctor
it would have been a drag.

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Much has been written about the function and value of a committee. A wag described a camel as a horse designed by a committee. Fortunately, the implications inherent in the description of that beast do not apply to those who guided this study. My appreciation to all for help given as well as that not given.

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Chapter I

INTRODUCTION

School administrators are faced with many complex problems of risk in the operation of school business. In the aggregate, the nation's schools represent an enterprise involving millions of persons and properties valued at billions of dollars. Good business administration requires careful consideration of the risks involved and the reduction of these to a minimum. Yet, in the role of consumers, school managers have managed the insurance program in a rather haphazard manner. According to Grieder, Pierce, and Rosenstengel, in every survey of school insurance practices the standards that were observed were far from adequate and administrators were not giving enough attention to developing programs.¹ Guiles pointed out, "school managers are a victim of inexperience in a technical-legal field which has resulted in inefficient management and, at worst, has caused traumatic financial losses."² These losses are manifested in the curtailment of educational programs and services.

Associations such as the Association of School Business Officials and the American Association of School Administrators have stimulated the development of a concept borrowed from the corporate management field, the concept of risk management. Risk management, as it relates to school systems, is an administrative function of some complexity. To the uninitiated, risk management implies only the

development and maintenance of a program of insurance. Risk management encompasses much more than an insurance program. It more closely approaches the moral and statutory responsibilities of the school board and administrative staff for safety of life and property. While there are many refinements and variations of the risk management program, the basic elements of risk management consist of:

1. The elimination or reduction of the exposure to loss.
2. Protection from the exposure to loss.
3. The assumption of the risk of loss.
4. The transfer of the risk of loss to a professional risk carrier.³

Public school insurance has an added dimension that complicates the task of the risk manager. He must know what the legal mandatory requirements for insurance provisions are. Court decisions, as well as legal opinions of appropriate state officials, are constantly being rendered. Functions of a proprietary nature, liability of employees, student body organizations, malpractice, and personal liability for administrators and school board members require special consideration regarding insurance protection.

Background for the Study

A number of studies have been done in public school insurance. These have been done by individuals, educational agencies, insurance companies, and publishers.

Early studies in school insurance focused on fire insurance. Studies by Melchior,⁴ Smith,⁵ and Lura⁶ evaluated fire insurance in

public schools. These studies deduced that schools were not utilizing effective policies and practices for administering the fire insurance programs. No recommendations for program improvement were offered.

This was to be the trend for public school insurance studies. The focus was on specific coverages without recommendations. However, later studies by Finchum,⁷ Salmon,⁸ and Simpson⁹ reviewed the policies and practices of the insurance program and offered recommendations in the following areas:

1. Company and agent selection.
2. Bidding procedures.
3. Self insurance.
4. State insurance.
5. Various coverages.

Later studies developed criteria to evaluate selected coverages. Haynes developed criteria for fire insurance in Louisiana public schools¹⁰ and Lincoln developed criteria for extended coverage in the public schools of Missouri.¹¹

Other studies have developed criteria for the risk and insurance program. The primary function of these studies was to evaluate existing programs. Examples are studies by Smith in New York¹² and Howard in Arizona.¹³ Roberts developed risk and insurance program criteria to evaluate Arizona public secondary school insurance programs and a model for the risk and insurance program.¹⁴

There is precedent for examining the legal mandatory requirements for insurance in Virginia public schools. Studies by Schaerer

in Indiana¹⁵ and Knaak in Minnesota¹⁶ studied tort liability in those states. These studies analyzed state laws, their interpretations, and their effect on the public school insurance program.

Importance of the Study

It is generally agreed that good administrative practices are essential for the operation of an insurance program that will provide adequate protection of school district property, employees, and funds.

Insurance protection is a substantial and rapidly escalating expenditure in Virginia public schools. In 1969-70 the total insurance expenditure for Virginia public schools was nearly 2.5 million dollars.¹⁷ In 1974-75 that expenditure had risen to 6.5 million dollars, a percentage increase well beyond the inflationary rate.¹⁸ There are indications that this trend will continue in Virginia and nationwide.

Although studies have been done in other states only one study of Virginia public school insurance has been reported. Marvin T. Sutphin, in 1967, compared 26 recommended fire insurance practices with those which were being followed in Virginia public school divisions. The study concluded that Virginia public school divisions were not following recommended practices in administering the fire insurance program.¹⁹ It appears that the Sutphin study has little relationship to the present study because (1) the study was done a decade prior to the present study, and (2) the primary concern of the study was fire insurance administrative practice.

Statement of the Problem

In Virginia there was no comprehensive and concise collection of data which pertained to the development of the public school insurance program. A number of school districts depend on a "committee" of local insurance agents who evaluate school needs and recommend coverages to school district officials. The committee normally decides what premium costs will be and how they will be dispersed. Keeping in mind that the insurance agent depends on premiums for his income, this abrogation of authority does not appear to be in the best interest of the taxpayers. Regardless of what method of selection and placement is employed, there did not appear to be a cost effective, systematic method of administering the risk and insurance program in the public schools of Virginia. The importance of this study will be determined by the extent to which it is used as a guide by administrators to improve risk and insurance programs.

Limitations of the Study

The study evaluated Virginia public school division's risk management practices. There were 129 operating public school divisions in Virginia. All 129 operating school divisions were included in the study.

The criteria developed do not reflect an exhaustive list of all the variables that are involved in the management and control of the risk management program. They reflect those that the review of the literature and conferences with insurance specialists and school

officials identified as vital. Each criterion was not vital in every situation since criteria were developed for general use in the study.

The study included school divisions of only Virginia; therefore, the conclusions are only applicable to the administrative practices in that state. A questionnaire was used to gather data; thus, the conclusions are subject to the limitations inherent in this method of data collection.

Purposes and Objectives of the Study

The primary purpose of the study was to examine the risk management practices of the public school divisions of Virginia. The objectives of the study were to:

1. Establish criteria for organizing and managing the risk management practices of the public school divisions of Virginia.
2. Identify the legal mandatory requirements for insurance provisions in the public school divisions of Virginia.
3. Examine the role of the Virginia State Insurance Commission in assisting the public school divisions of Virginia in the administration of the risk management program.
4. Examine the role of the Virginia State Department of Education in assisting the public school divisions of Virginia in the administration of the risk management program.
5. Probe the relationship between school division size and risk management practices in the public school divisions of Virginia.
6. Probe the relationship between school division expenditure per pupil and risk management practices in the public school divisions

of Virginia.

7. Make recommendations for the improvement of the risk management program in the public school divisions of Virginia.

Procedures

There have been studies of school insurance in 31 states and there are several national studies. Those that are relevant to the purpose of the study were examined. Insurance textbooks, periodicals, government documents, handbooks, pamphlets, and speeches were scrutinized. Conferences were held with staff members of the State Insurance Commission and State Department of Education, Virginia school officials, and insurance specialists.

The descriptive-survey method of research was used to examine the practices followed in administering the risk and insurance program in the public schools of Virginia. The procedures followed were to:

1. Identify the legal mandatory requirements for insurance provisions in the public school divisions of Virginia.

2. Develop criteria for the organization and management of the risk management program in the public school divisions of Virginia.

3. Validate the criteria developed for the organization and management of the risk management program of the public school divisions of Virginia.

4. Apply the established criteria to risk management practices followed by the public school divisions of Virginia.

5. Report the results of the data.

6. Prepare recommendations to the various state and local agencies responsible for risk management and insurance programs.

7. Distribute recommendations and study summaries to school divisions and other agencies requesting them.

Identify the legal mandatory requirements for insurance provisions in the public school divisions of Virginia. The legal mandatory requirements for insurance provisions were identified from a review of the literature and with the assistance of a panel of specialists. The review of the literature included the following sources:

1. American Jurisprudence
2. Code of Virginia
3. Journal of Public Law
4. Opinions of the Attorney General and Report to the Governor of Virginia
5. Virginia Law Review
6. Virginia Supreme Court Briefs
7. Textbooks, periodicals, government documents, and other related studies

The panel consisted of the following specialists:

Mr. Everette Francis--Assistant Commissioner for Financial Conditions of the State Corporation Commission, Bureau of Insurance.

Dr. William Ghee--Professor of Insurance, Department of Business Administration, Virginia Polytechnic Institute and State University.

Mr. John P. Hamill--Supervisor School Building Service, Virginia State Department of Education.

Mr. Donald Hayes--Insurance Agent, Lunsford Insurance Agency, Blacksburg, Virginia.

Develop criteria for the organization and management of the risk management program in the public school divisions of Virginia.

A review of the literature and conferences with insurance specialists produced the following:

1. Risk management principles that applied to those entrusted with the responsibility for risk management in the public school divisions of Virginia.

2. Insurance principles that were generally accepted as sound by experts in the insurance field. These principles included but were not limited to coverages, limits, and selection of the insurance carrier.

The risk management and insurance principles developed served as the basis for the proposed criteria designed to examine risk management practices in the public school divisions of Virginia. In addition, criteria established in related studies were adapted for use in the study.

Validate the proposed criteria developed for the organization and management of the risk management programs of the public school divisions of Virginia. The proposed criteria were tested for desirability by mailing copies of the criteria to a panel consisting of the three groups of insurance specialists listed below:

1. Four insurance specialists who did not sell or underwrite insurance were designated by the Virginia State Corporation Commission, Bureau of Insurance.

2. Four insurance specialists who sold or underwrote insurance were designated by the Virginia State Corporation Commission, Bureau of Insurance.

3. Four public school risk managers were designated by the Virginia State Department of Education.

Members of the panel were selected on the basis of experience, training, and expertise and were from diverse geographical areas.

Panel members were asked to judge criteria which were, in reality, a set of practices for the administration of public school division risk management programs. To be judged as acceptable for use in the study each criteria had to be (1) logically sound when applied to school division risk management programs, and (2) essential to the success of the public school risk management program. Those criteria deemed acceptable by three of the four members of each group or by a total of ten were used in the study.

Apply the established criteria to Risk Management Practices being followed by the public school divisions of Virginia. A questionnaire based on the established criteria was constructed. Questionnaires were distributed to school administrators, specialists in school business management, and insurance specialists for criticism and suggestions. Changes were made where necessary and revised

questionnaires were sent to the superintendents of all 129 operating Virginia school divisions.

Report the results of the data. The primary purpose of the study was to examine practices of risk management in Virginia public school divisions. The study also endeavored to examine the relationship between school division size, expenditure per pupil, and school risk management practices. The roles of the State Department of Education and the State Insurance Commission were examined. Results were reported using the number of school divisions and percentage of school divisions and are presented in the following manner:

1. Each criterion was applied to school division risk management practices and the results reported for all Virginia public school divisions.

2. Each criterion was applied to school division risk management practices and results reported by school division size. School division size was based on pupil enrollment and classified as follows:

- A. Under 3,000 (Small)
- B. 3,000 - 10,000 (Medium sized)
- C. Over 10,000 (Large)

3. Each criterion was applied to school division risk management practices and results reported by expenditure per pupil. A frequency distribution was utilized and school divisions were classified as follows:

- A. Under \$900 (Below average expenditure)
- B. \$900 - \$1,100 (Average expenditure)
- C. Over \$1,100 (Above average expenditure)

4. Information concerning the roles of the State Insurance Commission and the State Department of Education, as well as suggestions for improvement of risk management practices in the public school divisions of Virginia, were collected and reported.

5. A summary of the application of each criterion to risk management practices is displayed which illustrates responses for all school divisions and by school division size and expenditure per pupil.

6. The number and percentage of school divisions meeting all or a portion of the established criteria is reported for all school divisions and by school division size and expenditure per pupil.

7. The established criteria were classified by risk management function and results reported for all school divisions and by school division size and expenditure per pupil.

Prepare recommendation for the improvement of risk management practices in the public school divisions of Virginia. From an analysis of the questionnaire responses and the data collected, recommendations for the improvement of risk management practices in the public school divisions of Virginia were made to various local and state agencies responsible for risk management.

Organization of the Study

In Chapter II of the study, the literature related to (1) the history and development of insurance, (2) risk management, and (3) selected research studies is reviewed. In Chapter III the legal mandatory requirements for insurance provisions in Virginia public school divisions are identified. In Chapter IV the criteria for risk management in Virginia's public school divisions are developed. In Chapter V the practices followed in administering the public school risk management program in the public school divisions of Virginia are applied to the established criteria and results reported. Responses to questions designed to yield risk management information are reported. Chapter VI contains the conclusions, recommendations, and comments related to the study.

FOOTNOTES--CHAPTER I

¹Calvin Grieder, Truman M. Pierce, and William Everett Rosenstengel, Public School Administration (New York: Ronald Press Company, 1956), p. 566.

²Roger Guiles, "Don't Get Burned When Buying Fire Insurance," Nation's Schools, XCIII (March, 1974), 22.

³Clay County, Florida, "A Survey Report of Risk Management," Tallahassee, Florida: State Department of Education, 1967).

⁴William T. Melchior, "Insuring School Property" (unpublished doctoral dissertation, Columbia University, 1925).

⁵Harvey A. Smith, "Economics in Public School Fire Insurance" (unpublished doctoral dissertation, Columbia University, 1930).

⁶Caspar P. Lura, "Public School Property Insurance in Iowa" (unpublished doctoral dissertation, State University of Iowa, Iowa City (1932).

⁷Ralph N. Finchum, "A Study of the Insurance Practices and Procedures of Tennessee Public School Boards" (unpublished doctoral dissertation, University of Tennessee, 1953).

⁸Paul B. Salmon, "Fire Insurance Principles and Practices in School Districts Employing Nationally Affiliated Business Officials" (unpublished doctoral dissertation, University of Southern California, Los Angeles, 1957).

⁹George C. Simpson, "Insurance Practices in the Iowa Public School Districts: With Recommendations for Improvement" (unpublished doctoral dissertation, Columbia University, 1961).

¹⁰Glen Melvin Haynes, "A Comparative Study of Alternative Plans for Providing Insurance Protection in the Physical Property of Public Schools in Louisiana" (unpublished doctoral dissertation, The University of Oklahoma, 1970).

¹¹Jack Roland Lincoln, "A Study of Basic Principles Involved in Planning a School Building Insurance Program in the State of Missouri" (unpublished doctoral dissertation, University of Mississippi, 1970).

¹²Samuel Stewart Smith, "School Board Policies and Administration Practices Related to Insurance Programs in 256 Public School Districts in New York State" (unpublished doctoral dissertation, Columbia University, 1966).

¹³ Bruce Howard, "Public School Insurance Programs in the State of Utah" (unpublished doctoral dissertation, Arizona State University, 1965).

¹⁴ Howard T. Roberts, "Management of Risk in Public Schools: A Model in the Development of Risk and Insurance Management Policies and Practice" (unpublished doctoral dissertation, Case Western Reserve University, 1968).

¹⁵ Robert W. Schaerer, "The Tort Liability of Indiana Public Schools and Current Liability Insurance Practices of the Indiana Public School Corporations" (unpublished doctoral dissertation, Indiana University, 1959).

¹⁶ William Knaak, School District Tort Liability in the 70's (St. Paul: Morris Publishing Co., 1969).

¹⁷ Report of the Superintendent of Public Instruction, Virginia 1969-1970, (Richmond, Virginia: State Board of Education, 1970), p. 211.

¹⁸ Report of the Superintendent of Public Instruction, Virginia 1974-1975, (Richmond, Virginia: State Board of Education, 1975), p. 156.

¹⁹ Marvin T. Sutphin, "An Evaluation of Property Fire Insurance Practices in Virginia Public Schools" (unpublished doctoral dissertation, University of Virginia, 1967).

Chapter II

REVIEW OF THE RELATED LITERATURE AND RESEARCH STUDIES

This chapter reviews the literature and research studies most closely related to the purpose of the study. The literature reviewed consists of periodical articles, textbooks, reference books and other reference materials. The chapter is organized under these topic headings:

- A. Basic Insurance Concepts
- B. Risk Management
- C. Public School Insurance
- D. Related Research Studies

Basic Insurance Concepts

An understanding of certain basic insurance concepts is essential in the practice of risk management. This section discusses a number of basic concepts which are constantly encountered when dealing with insurance.

- 1. Purpose of Insurance
- 2. Characteristics of an Insurable Risk
- 3. The Law of Large Numbers
- 4. The Theory of Probability
- 5. Self Insurance
- 6. Coverage
- 7. Rate Making

8. The Legal Basis for Insurance

9. The Insurance Contract

Purpose of Insurance

Insurance, one of the most important methods for handling pure risks, can best be defined by describing its function which, primarily, is the elimination of risk. When an insured pays a definite premium for his insurance, his financial risk is eliminated and a relatively small premium is substituted for the contingency of a large loss.¹ It should be made clear that the loss has not been eliminated. It may appear that the insured has been saved from loss, yet, actually, if he continues to pay premiums over a long period of time, he may pay for all losses with an added margin for the expense of conducting the insurance business.²

According to Allen, the basic purpose of insurance is:

. . . to protect against catastrophe or unexpected loss. When the extent of loss is expected or can be predicted with reasonable accuracy, there is little purpose in insuring against it. This amounts to little more than dollar trading, the firm paying a fee for the service.³

It is better to charge such losses off to current operations. Only where the possibility of a large and unpredictable loss exists should insurance assume the role of distributing the loss. By collecting sufficient premiums from many clients to cover losses plus expenses, the insurance company is able to reimburse a policyholder who sustains a loss. Over a given period of time, the premiums from all policyholders must equal the claims paid, plus the expense and operation and necessary profit. This system of distribution of loss enables the

firm to budget a known amount for annual premium payment and to know that losses will be reimbursed without an unforeseen demand made on the firm's finances to repair or replace property damaged or destroyed.

Characteristics of an Insurable Risk

In order that an insurance contract may produce the desired benefits and be practical from a business point of view, certain conditions are desirable:

1. The insured should be subject to a real loss. The loss may be a loss of goods or benefits that he already possesses, or of prospective benefits or profits. The threatened loss may be tangible or intangible, such as legal right of action, but it is important that the contract be based upon some actual possibility of loss and not upon the mere desire of the insured to bet against the happening of some event.

2. The loss to be insured against should be important enough to warrant the existence of an insurance contract.

3. The losses should be fairly definite as to cause, time, place, and amount; otherwise, adjusting losses can be troublesome.

4. The cost of insurance must not be prohibitive.

5. A large number of insureds is necessary. This will be discussed in the Law of Large Numbers.

6. The losses that will be incurred should be capable of approximate mathematical calculation. An insurance company could not sell guarantees of future protection without some estimate of future losses.⁴

The Law of Large Numbers

The law of large numbers applies in every field of insurance. It is the reason why insurance companies must have a large number of risks in order to accurately predict losses in advance. It may be defined as follows: The greater the number of exposure units, the nearer the actual results will approach the underlying probability. The greater the number of risks which are exposed to a given hazard, the more predictable will be the future losses. For example, assume that ten houses are exposed to the risk of fire. In any given year it is conceivable that three of the ten houses might burn. However, if 10,000 houses are exposed to the risk of fire, this means that the underlying probability is $50/10,000$ or $1/200$, the probability of a house burning does not increase or decrease with a change in the number of risks insured. But the larger the number of houses or other units which are exposed to a given hazard, the nearer the actual losses which are suffered will approach the theoretical chance of loss, often referred to as the underlying probability.

The Theory of Probability

The calculations of premiums for nearly every kind of insurance is based upon the application of the theory of probability to past experience. This may be defined as: "other things being equal, and an equal number of risks being insured, the losses in the future should be the same as the losses in the past."⁵ Future loss experience should reasonably reflect the loss experience on a previous similar group of risks. The probability of an event occurring may vary greatly from

time to time. Thus, in many lines of insurance the probability of future occurrences cannot be determined with a high degree of accuracy. In addition, where only a small amount of loss experience is available the insurer may be faced with large deviations from these losses. The theory of probability explains why insurance companies prefer a large number of small risks to a very few large ones; for the latter may be insufficient to allow the underlying probabilities to be realized and thus the companies may suffer disastrous losses if an unusual number of accidents take place.⁶

The importance of the law of large numbers and the theory of probability to the financial safety of the insurance companies explains their great interest in past loss statistics. Future predictions can only be based upon past experience, modified by opinions, and therefore, detailed records of past losses are important in all lines of insurance.⁷

Self Insurance

One technique for treating risk is self insurance. The term is, to many, a misnomer since it permits no transfer nor substitutes a premium. Denenberg, et al. defined self insurance as "any plan of risk retention in which a program or procedure has been established to meet the adverse results of a financial loss."⁸ Plan must be emphasized since to retain risks unwittingly is really no insurance.

The principles stated on pages 18, 19, and 20 of this study apply to a self-insurer as well as an insurer. By examining these principles one can see that the firm must be large enough to have many

exposure units subject to the peril. In addition, it would have to be able to calculate the approximate number of exposure units it would lose each year and put aside in a special fund an amount sufficient to cover the probable loss as well as a little extra to provide for the possibility that losses might exceed the average in a particular year. This implies, of course, that the firm has an accumulation of funds at its disposal.

Coverage

Coverage may be analyzed as it applies to the elements of losses--the underlying hazard or peril, the subject of injury or damage, who loses, and measurement of the amount lost. In addition, coverage analysis deals with when and where coverage applies, and with limitations on amounts payable (other than the measures of loss).

Coverage may be established by specific inclusion, general inclusion, or by omissions of reference. In dealing with perils, the first method is commonly called the specified perils approach, the second, all risks. When the subject matter is liability hazards, the third method, called comprehensive, is used. (No general names are used for other cases.) Except for coverages of perils in property insurance, broad coverage is usually provided by omission of specifications rather than by general specification of coverage. The many types of coverages are discussed in more detail later in this chapter.

Within these coverages the insurance contract must specify whose losses are covered, when coverages apply, their geographical location, and what the financial limits are. These are determined by

the agreement entered into by the insured and the insurers and are specified in the insurance contract (policy).⁹

Rate Making

Rate making is the process of determining the price to be charged for insurance. It is the price asked by the seller of the product. The rate is considerably different than the premium. The rate is the price charged by the insurance company for each unit of protection. For example, a fire insurance rate may be \$.20 per \$100 of valuation. The premium is determined by multiplying the rate times the units of protection which are purchased. Thus, with a rate of \$.20 per \$100 the premium would be \$20 for a \$10,000 policy.

There are basically two types of rate making, manual and individual risk. Manual rates are known as tariff rates or blanket rates. Individual rates may be known as judgment rates, schedule rates, experience rates, and retrospective rates.¹⁰ Other terminology is sometimes substituted for these rate concepts.

Rating bureaus are organizations formed for the purpose of gathering loss and expense data from numerous member insurance companies and calculating property and liability insurance rates based on these data. These agencies provide rate manuals and underwriting guides to bureau members and subscribers. They exist for these reasons:

1. Few insurers have sufficient experience in individual lines of property and liability insurance to form a credible base for rate calculations. By combining data contributed by all of its members

the bureau can assimilate sufficient experience to calculate credible rates in each line of insurance.

2. Bureaus generally can collect data and calculate rates more efficiently and economically than many of their individual member companies. Individual insurers are not required to incur the full cost of maintaining actuarial staffs. They share this cost with other bureau members.

3. Most states require that property and liability insurance rates, and the statistics upon which they are based, be filed with the state insurance department. Rate manuals are frequently very extensive technical documents, and an insurer's compliance costs may be reduced significantly if the filing requirement is handled by a rating bureau. Bureau members are required to notify the regulator of compliance with all bureau rates, or notify the regulator of any specific deviations from bureau rates.

4. Insurers generally do not have the resources, or the legal authority, to engage in effective lobbying before state legislatures or the congress. On many occasions, rating bureaus have used the power and funds of their membership to lobby for legislation favorable to their member companies. Furthermore, it is common practice for a bureau to establish and maintain close ties and channels of communication with regulatory officials. While these activities are not essential to the bureau concept, they may provide potential benefits for members of effective rating bureaus.¹¹

Legal Basis of Insurance

A knowledge of certain fundamental legal principles is essential to understand the nature of insurance and the manner in which it is interpreted.

Since the McCarran-Ferguson Act (Public Law 15), insurance has been held to be subject to regulation by the states. Although the amount of statutory law varies considerably from state to state these laws generally recognize the desirability of competition in rates as well as the necessity of cooperative rate making where such cooperative practices are controlled and supervised.¹²

In the absence of applicable statutes, decisions of the courts are governed by the applicable common law. The phrase "common law" is somewhat ambiguous in that it is used to describe both the legal system by which prior decisions are followed and also the body of law which is not statutory in nature. Common law in insurance consists of the written decisions which have been rendered in past insurance cases and which tend to be followed in future cases.

Common law is fully as binding as statutory law but is sometimes less definite since there may be a difference of opinion among the various courts. This leads to what is often referred to as the majority rule and minority rule on any given legal point. In other words, the judicial decisions generally favor one point of view, but there are decisions which have been decided in opposite ways.

Each state has its own system of courts, but cases may be subject to the jurisdiction of the federal court system as well. The

federal district courts have jurisdiction where there is diversity of citizenship--that is, a dispute between an insurance company licensed in one state and a citizen of a different state--and also in cases where the controversy involves a sum of money in excess of \$3,000. Generally speaking, the courts of a given state will attempt to follow a rule which has been well established in that state. In the absence of statutes, insurance matters will be decided by reference to past decisions. American courts generally apply the rule of "stare decisis," or let the decision stand. On occasion, courts may disregard well established legal precedent.¹³

The Insurance Contract

Comprehension of insurance requires an understanding of the principles underlying the contract between the insurer and the insured. This contract is usually referred to as a policy and is generally governed by the rules of contract law; i.e., it will be interpreted in the same manner as all other contracts, except as general contract law has been modified in regard to insurance. The legal ramifications of insurance contracts are beyond the scope of this study, but below are some insurance contract legal provisions that are especially important:

1. The insurance contract is a contract of adhesion, it is prepared entirely by the insurance company; there is no element of bargaining over the terms of the contract. With a few exceptions, the insured must either accept or reject the contract as a whole. In other words, the insured either adheres to the contract as it has been

prepared by the insurance company or else does not accept it. The legal importance of this is that, since the buyer has no part in preparing the contract, any ambiguities in the contract will be resolved most strongly against the insurance company. The insured will, therefore, receive the benefit of any doubt in the legal interpretation of the contract.

2. A property and liability insurance contract is generally a contract of indemnity; that is, conditions are included in the contract to prevent the happening of the event insured against from benefitting the insured. The insured may not make a profit through an insured loss.

3. An insurance contract is a contract of the utmost good faith. Both parties to the contract are supposed to reveal all the facts relevant to the transaction.

4. Unless the insured satisfies certain conditions specified in the contract (for example, the submission of proper proof of loss within a reasonable time), the insurer cannot be forced to perform on his promise. In this sense, the insurance contract is a conditional contract.

5. An agent, in a legal sense, is someone representing a third party in contractual negotiations. Hence, insurance is affected by the law of agency. The insurer is responsible for the acts of its agents and employees as well as the acts of persons posing as agents, if they possess the proper credentials.¹⁴

6. As a legally valid contract, the policy must fulfill the essential conditions that (a) there be an agreement between the applicant and the insurer, (b) a valuable consideration, the premium be exchanged, (c) both parties be legally able to contract, and (d) the contract be of legal form and for a legal purpose.¹⁵

Risk Management

In this section the general subject of risk management is examined. This examination will include what risk management is, how it functions, and the principles underlying the risk management program. It should be made clear that the risk management concept is applicable in all situations where firms and people deal with risk. Although the character and ideographic nature of organizations will affect the decisions of the risk managers, the principles underlying risk management and the process by which decisions about risk should be made remains basically the same for all organizations whether they are corporate giant, public school, or grocery store.

What is Risk Management?

A most complete explanation of risk management was offered by Williams and Heins in Risk Management and Insurance. The authors pointed out that the function of risk management describes properly the function of all business managers, whose management function parallels those espoused by authorities such as Henri Fayol and Frederick Taylor. These functions are forecasting, planning, organizing, commanding, coordinating, and controlling. Risk management was defined

by Williams and Heins as "the minimization of the adverse effects of risk at minimum cost through its identification, measurement, and control."¹⁶ Risk management is seen as both an art and a science because risk managers must rely greatly on nonquantitative techniques which depend upon deduction and intuitive judgments while attempting to follow some principles of scientific risk management.

Mehr and Hedges portrayed **risk management** as a managerial function which is something more than insurance management and something less than all management and further defined risk management as "the management of those risks for which the organization, principles, and techniques appropriate to insurance management are useful."¹⁷ The authors drew attention to techniques being plural, specifying that insurance is not the only technique appropriate in managing insurable risks; it is not always even the best technique. The risk manager must use his knowledge and skills in selecting the best technique from those available.¹⁸

Pfeffer offered similar thoughts on risk management stating, . . . the title of risk manager is more appropriate than insurance manager or insurance buyer. The efficient management of static risk requires more than effective purchasing of insurance. Insurance is only one of many available tools for risk management.¹⁹

Other definitions of risk management are that it is "a continuous plan to (a) avoid events and circumstances that cause loss and/or (b) lessen the operational financial effect of unavoided loss at the lowest practical cost,"²⁰ and is the function of identifying, measuring, and controlling the fortuitous risk exposure to mitigate

losses in the most economic manner."²¹

Henry Duke, a risk management consultant also described risk management as an art. He distinguished it from a science since a science deals with absolute, concrete, cause-and-effect relationships and rigid formulae.

The successful practice of risk management requires the skillful application of some basic concepts in light of the particular combination of variables existing in a specific situation. It requires imagination, creativity, and a practitioner who dares to be different, who is not afraid to try something simply because it has never been done before. There is no one method of solving problems of risk. There is no one technique that is the answer. Science says if A then B, Art says if A, then maybe B, C, D²²

Duke also presented a subtle definition of risk management. "Risk management is the art of selecting that method of treating risk which reacts to your net advantage."²³ This definition appears to contain all of the elements of the risk management concept. It implies that the risk manager must analyze the risk, be aware of the economic situation of his firm, know how the risk affects the firm, and then choose the method that will be to its best advantage. To do this he must have an extensive knowledge of his firm and methods of treating risk.

Types of Risk Handled

Risks can be classified in several ways. There are five classification methods commonly used.²⁴

1. Property, Liability, or Personnel
2. Physical, Social, or Market
3. Pure or Speculative

4. Static or dynamic

5. Fundamental or Particular

None of these methods describes exactly the types of risks which the risk manager typically deals with. According to Williams and Heins the concepts of static risk as opposed to dynamic risk and pure risk as opposed to speculative risk come closest to indicating the type of risk that risk managers generally deal with.

Static risks are "connected with losses caused by the irregular action of the forces of nature or the mistakes and misdeeds of human beings."²⁵ They would be present in an unchanging economy.

Dynamic risks are associated with changes, especially changes in human wants and improvements in machinery and organization. Static losses usually result in a loss to society; dynamic losses generally do not. A static loss usually affects, directly, a few individuals at most, while dynamic losses have more widespread effects. Static losses exhibit more regularity over a specified period of time.

A pure risk exists when there can be loss but no gain as opposed to a speculative risk where there is a chance of gain as well as loss. Speculative risks are more common to business ventures where the corporation could show a profit as the result of a speculative risk. In other words, a pure risk is always distasteful but speculative risks may have very pleasing results.²⁶

There are four basic steps in risk management. These are:

1. Risk Identification
2. Risk Measurement

3. Selecting Proper Tools for Handling Risks
4. Handling the Risks Using the Tools Selected

Risk Identification

This technique requires a thorough knowledge of relevant data from reliable sources. The risk manager identifies the various potential losses confronting his firm. He must develop a careful and systematic method of risk identification since failure to identify risk will inevitably result in failure to meet or resolve its consequences.²⁷

There are many formal techniques available for risk identification. The insurance survey method, the policy checklist, and the logical classification approach are all methods that have been used successfully. No single method or procedure of risk identification is known to be most effective or foolproof. The risk manager must select the method or combination of methods that is most effective in the situation at hand. However, some systematic method must be used. According to Pfeffer, "the physical inspection of all company assets and operations is an impossible job unless the risk manager devises a systematic procedure for periodic review."²⁸ Cooperation and input from all staff members must be encouraged and precise and up-to-date records maintained.

Risk Measurement

After identifying the risk the manager must now evaluate its impact on a firm should a given loss arise. Two prime factors in determining this are (a) the financial structure and status of the

firm and (b) an evaluation of loss costs.²⁹ The risk manager should have the information available to ascertain the structure and strength of his firm but determining loss costs can be a more elusive task. Numerical probability estimates have been useful but for the present less sophisticated methods must be employed. It is difficult to decide what yardstick the risk manager should use in measuring losses and what the impact of various losses will be on the firm. The severity of a loss changes daily and necessitates regular reexamination of risks. The dynamic quality of risks and losses will place the risk manager in a situation where he must make judgments which are subjective even though he may have all the relevant data at hand.

Selecting Proper Tools for Handling Risks

According to Riegel, Miller, and William there are, in general, four ways in which the problem of risk may be dealt with. These methods may be employed singly or in combinations. They are avoidance, prevention, transfer, and assumption or retention.³⁰

Avoidance. One way to handle risks is to avoid the risk entirely. This is accomplished by avoiding the property, person, or activity with which risk is associated. Although this method may have some utility it is often impractical or impossible in conducting the business of the firm.

Prevention. Prevention, whenever possible, is by far the best solution to the problem of risk because unfortunate consequences are avoided. However, prevention is often not practical or effective.

There are many situations where it is impossible to prevent loss or it is not economically feasible.

Transfer. When another individual or corporation assumes the risk, this is known as transfer of risk. Those who accept the transfer usually receive some consideration for their willingness to take upon themselves the consequences that may result. When dealing with pure risks these transfers are normally in the form of insurance, or fidelity or surety bonds.

Assumption or retention. When other methods are insufficient or unavailable, or when the potential loss is small, or the risk insignificant, or when acceptance is believed to be cheaper, the firm may decide to accept it. In its simplest and most popular form the firm merely "waits for it to happen" with no effort to make any financial provisions in advance of its occurrence. In general, retention is feasible only where the maximum possible loss is small, or where there are a large number of exposure units and a small number of risks, as deduced by examining past records of experience. Retention is commonly called self insurance and is normally accomplished by accounting transfers into a contingency fund of an amount equal to that normally paid to a commercial insurer.³¹

Handling the Risks Using the Tools Selected

Handling risks may be a combination of any or all of the methods described above. The decision as to which one or more of the methods to utilize in risk management comes from a careful analysis

of all the relevant data and the perceptions and interpersonal frame of reference of the risk manager. Two risk managers may view the same situation given the same relevant data and arrive at different decisions. One may choose risk prevention (a sprinkler) while another chooses to transfer the risk to a commercial insurer. This is the art of risk management.

Decision Making

Although risk management has been called an art, that is not to say that there is not a systematic and logical process for decision making. In his article "A Decision-Process Approach to Risk Management," E. William Alstaetter pointed out:

Because it is a decision making process, sound risk management consists of the same five basic steps which characterize all forms of rational decision making.

1. Identifying and analyzing the problem to be solved.
2. Formulating feasible alternative solutions to the problem.
3. Choosing the apparent best alternative.
4. Implementing the chosen alternative.
5. Monitoring the results to determine if further steps are needed to solve the problem.³²

In the context of the fundamental decisions facing him, the risk manager performs the first step of identifying and analyzing the problem by cataloging exposures to accidental loss and gauging the frequency and severity of the losses these exposures may produce. The second decision making step, formulating alternative solutions, requires the risk manager to determine how each available risk

management technique could lessen the adverse effects of the exposures he has identified. Having before him an array showing the effects which each available technique would have in combating each exposure, the risk manager then applies measures of the effectiveness and the cost of each technique on each exposure in order to complete the third step of choosing the best feasible alternative for solving the risk management problem.

The fourth step, implementing the chosen decision, requires the risk manager to manage the chosen method of dealing with various exposures: avoiding exposures where possible, supervising loss prevention and safety efforts, administering risk retention plans, and dealing with insurers, for example. Within the course of this day-to-day administrative work, the risk manager also takes care to complete the fifth step in the decision making process--checking the results produced by the chosen risk management techniques and watching for changes in loss exposures or other factors which would invalidate these techniques. When the risk manager detects a need to adjust his previously selected mix of techniques, this adjustment requires a new decision--a decision to be reached within the framework of the basic five steps of orderly decision making.³³

Implicit within this are the reasons, the fiat, for risk managers to adopt a rational decision making process. The dynamic nature of risks eliminates the application of statistical procedures on a routine basis. Data as well as goals and objectives become outdated in a matter of months. In addition, it is necessary to employ

a process which examines all alternatives after first analyzing the frequency, severity, and predictability of losses that the exposure may produce.

Implementing the Decision

Proper implementation of a decision is the final important step of risk management. The risk manager must decide how the risk is to be transferred, prevented, or whatever method is determined as most appropriate. He must utilize whatever quantitative methods are appropriate. To implement the chosen method, the risk manager must again utilize the same decision making process which was used to select the proper risk management tool.

Organizing for Effective Risk Management

There are principles that apply to the organization and management of all organizations. Principles that are considered essential for risk management activities are:

(a) It is essential that the responsibility for planning, coordinating and implementing the risk management program be vested in one person.

A sound program requires establishment of standards which are consistent and reflect specific management objectives. These goals cannot be met if responsibility is vague or if it is divided among uncoordinated functions or independent operating divisions. Whether responsibility rests with a full time risk manager or school business manager, it must carry authority.³⁴

It has also been pointed out by Pfeffer that in large firms the need for a centralized division with the authority to purchase and to administer the insurance program is essential. The absence of a centralized responsibility will often create confusion and special problems.³⁵

(b) Risk management should be the responsibility of a highly trained person or staff.

According to Mowbray, Blanchard, and Hill,

. . . certain specifications for the job of insurance managers may be cited. The fields in which competence or understandings are most useful are engineering, law, statistics, accounting, finance, mathematics, and, of course, insurance.³⁶

Pfeffer stated, "At a minimum, the risk management department should have one person who is a qualified insurance buyer."³⁷

(c) There should be a written risk management policy.

To mitigate economic loss there is a necessity to define, clarify, and coordinate the handling of fortuitous risk exposure in an organized fashion. Communication is one of the keys to effective risk management. A written policy will help communicate the risk management concept to everyone with as little deviation as possible, as opposed to relying on word of mouth. Some of the other benefits of a written policy are:

1. It gives the risk manager a basis for authority in making various risk management decisions.
2. It sets out the responsibility of risk management to other personnel within the organization.

3. It educates management at all levels on what types of information should be funneled into the risk management department.

4. It establishes the need for the risk management department to study risks of all operations of the firm.³⁸

(d) Accurate records must be kept on all facets of the risk management program.

Complete and well organized records are the basic tool of the risk manager. Without them, he is operating "off the seat of his pants." With them, he is able to make judgments using quantitative data. Two types of records are particularly important. One is a record of all the assets of the firm, its valuations and intangibles, but perhaps even more crucial is an up-to-date and accurate record of loss. This is essential for loss prevention, planning, obtaining lower insurance rates, and making future insurance decisions.³⁹ In addition to inventory and loss records, a risk manager must keep a careful record of insurance coverage, due dates, reviews, and risk management expenses.

(e) There must be free flowing communication.

A good system of communication is essential to the success of the risk manager. He depends so much on other people and their information that when clear open lines of communication are lacking, he will be far less effective. He must seek to establish a close working relationship with personnel at all levels. There are three very broad areas where the risk manager needs information: exposure to loss; changes in facilities and products; and changes in channels of distribution.⁴⁰

(f) The risk manager should conduct periodic, comprehensive surveys of exposure and insurable values to determine the continuing need for existing coverages and the necessity or desirability of new coverages.⁴¹

It is virtually impossible for the risk manager to perform this function without a survey. There must be a systematic and careful survey performed periodically.⁴²

(g) Procedures must be established to deal with insurance management.

A set of procedures should be established to deal with the following areas of insurance: (a) contract analysis, (b) rate analysis, (c) the insurance market, (d) open bid purchasing, (e) selections of insurers, agents, and/or brokers, and (f) reporting claims.

Policies and procedures for these insurance areas must be developed and implemented. Care must be taken to see that they are done at the least possible cost and the utmost efficiency.

Trends

The most important trend in risk management is the expansion of the role of the risk management department. In addition to that, the activities performed by risk managers have changed.

As part of his doctoral thesis, John J. O'Connell, in 1975, undertook to update a study of the Risk and Insurance Management Society (RIMS) members, which was conducted in 1969 by the research firm of Woodward and Fondiller, Inc. The O'Connell study compared

the responses of 850 RIMS member companies with the 1969 data in order to determine any movement in terms of increased and expanding levels of responsibility and decision-making authority. Results and conclusions of the study were as follows:

1. In reviewing the responses pertaining to record keeping or administration, there was little difference between 1969 and 1975.
2. Virtually all risk managers had either full or shared responsibility for risk determination and evaluation (98 percent in 1969 and 1975).
3. The percentage of risk managers holding either full or shared responsibility for insurance accounting remained stable at approximately 90 percent.
4. The area of insurance record keeping showed an increase since 1969 (49 percent in 1969 vs. 93 percent in 1975).
5. The majority of risk management departments have either shared or full responsibility for safety administration (71 percent) and loss prevention (74 percent).
6. Decisions concerning the selection of an insurance broker and carrier were fully controlled or shared by the risk manager in 94 percent of the organizations responding.

The results of the 1975 study indicate that there were very few areas in which the risk management department did not increase the degree of control over the decision-making process. Property and liability risk treatment remain the areas of greatest authority and activity for risk managers. The virtual full authority for risk

determination and evaluation has remained stable since 1969. Trends toward increasing authority are evident in nearly every aspect of risk management.⁴³

Public School Insurance

There are some areas of risk and insurance that public schools have traditionally applied with little consistency or uniformity.

These are:

1. Property Valuation
2. Coinsurance
3. Selection of the Carrier
4. Economic Practices

These, the types of policies available, and the coverages schools normally use will be discussed in this section. An outline of a typical school insurance program will also be presented.

Property Valuation

There are several ways for property owners to value real property. Three methods are usually considered sound:

1. Replacement Cost
2. Actual Cash Value
3. Agreed Amount

Actual cash value. Most policies are written on the basis of actual cash value, even though the term is not defined in insurance policies. Court rulings have held it to mean replacement cost less

actual physical depreciation. Courts generally hold to the "broad evidence rule" in which all factors bearing on the decision are considered. These include market value immediately prior to the loss, economic conditions, manner of acquisition, physical deterioration, and functional obsolescence.

A classic case of functional obsolescence is the brewery which burned during prohibition (McAnarney vs. Newark Fire Ins. Co., 1928, 247 N.Y. 176, 159 N.E. 902). The buildings destroyed had no functional use and the trial court said only replacement cost less depreciation could be considered. The appeals court reversed, saying many other factors are pertinent. An out-of-court settlement resulted. A similar comprehensive ruling on the broad evidence rule can be found in the case of Wisconsin Screw Co. vs. Fireman's Fund Ins. Co. (Wisc. 7th Cir. 297 F 2d 697). However, in October 1970 the California Supreme Court ruled that actual cash value meant fair market value and not replacement cost less depreciation (Jefferson Ins. Co. of New York vs. Superior Court of Alameda County, 1970 C.C.H.-Fire and Casualty). This ruling concerned an old hotel building of high replacement cost and low market value where some felt the court was trying to protect the owner from a serious loss due to insufficient coverage. Though some similar decisions have been made, they do not yet represent general practice.

Agreed amount. For unusual or difficult-to-appraise properties it is practical to establish a fixed value to which the underwriter will agree in advance.

Example A. An old shipyard having massive wood structures was bought by an industrial concern and converted to an industrial park. Its unusual construction had no relation to its utility. Consequently, conventional valuation had little meaning. Instead, the useful economic life of the structures was determined. Using a present value table, the present value of future rental income was calculated. This figure, less noncontinuing expenses, established the policy amount. The premium was considerably less than that determined by conventional techniques.

Example B. A World War I memorial structure was converted to municipal offices. As only half the space was functional, conventional valuation was hardly relevant. Replacement cost of a different structure to serve the same purpose--taking into account demolition costs of the old structure--proved more effective. Again, the premium saving was significant.⁴⁴

When replacement cost is used, there is no need to calculate depreciation. However, it must be determined for the usual actual cash value policy. Depreciation must consider:

1. Physical deterioration
2. Functional obsolescence
3. Economic obsolescence due to causes independent of the property.
4. Effective age as compared with other properties considering renovations and reconstruction.
5. Future life expectancy

Complete files should be kept for every major structure containing:

1. Original source data--appraisal, construction cost breakdown, or whatever material was used to develop the original figure.

2. Date of original valuation.

3. Breakdown of value by pertinent categories such as landscaping and grading, underground construction, fences, architect's fees, detached structures, and any other values which may not be insured. Different perils may sometimes call for different values. Fire, for example, might exclude foundations, earthquakes would not. Policy wording should be correlated with the value breakdown.

4. Records of each annual updating showing the construction cost index used and its source as well as depreciation assessed should be kept. If replacement coverage is used, depreciation may be omitted. Indices for updating can be obtained from agents, brokers, or insurers if more direct sources are not at hand.

5. Copies of the firm's records of additions and deletions with dates showing any breakdown as in "3" above and records of all capitalized and expensed additions.⁴⁵

Coinsurance

Studies in public school insurance have revealed that coinsurance is one of the least understood and properly applied elements of insurance coverage. Coinsurance is an arrangement which permits the insured to receive a reduction in rate in return for purchasing insurance of not less than a given percentage, most commonly 80 or 90

percent of the value of the insured property. Coinsurance has the effect of distributing the cost of insurance fairly among all policyholders by requiring each to carry amounts of insurance proportionate to the value at risk.

If the insured carries enough insurance to comply with the coinsurance clause, he collects the entire amount of his loss up to the face amount of the policy. If he carries less insurance than needed to comply with the coinsurance clause, he will collect only the percentage of his loss determined by dividing the amount he carried by the amount he should have carried. In this latter case, he will be a coinsurer with the company; that is, he will be forced to bear part of each loss himself.

Illustrations

	<u>Example 1</u>	<u>Example 2</u>	<u>Example 3</u>	<u>Example 4</u>
Value of Property at Time of Loss	\$100,000	\$100,000	\$100,000	\$100,000
Amount of Insurance Re- quired (80% Clause)	80,000	80,000	80,000	80,000
Amount of Insurance Carried	80,000	80,000	40,000	40,000
Loss Due to Fire	20,000	90,000	20,000	90,000
Amount Paid by Insurance Company	20,000	80,000	10,000	40,000

Explanations

Example 1: Insured complied with the coinsurance clause by carrying an amount of insurance equal to 80 percent of the value of the property; thus, the insured receives full settlement of the loss.

Example 2: Insured carried enough coverage to comply with the co-insurance clause, but the payment for loss can never exceed the policy limit.

Example 3: Insured carried one-half of the amount of insurance required by the coinsurance clause; thus, he receives a settlement of one-half of the loss.

Example 4: Insured carried one-half of the amount of insurance required by the coinsurance clause; since one-half of the loss ($1/2$ of \$90,000 = \$45,000) exceeds the amount of insurance, the settlement is limited to the amount of the policy.

Coinsurance of 80 percent or higher is mandatory on school buildings classified as fire resistive or sprinklered and on the contents therein. Coinsurance is optional on non-fire-resistive property and on non-fire-resistive buildings and contents. The coinsurance percentage may range from 20 percent to 100 percent as desired, in any multiple of 10.⁴⁶

Selection of the Carrier

School officials usually take the insurance policies that local agents prepare with limited attention to the companies with which they are written. In purchasing insurance protection, school officials should purchase the best insurance available for the least money. A commercial rating such as Best's Insurance Guide, which prepares rating schedules for the various insurance companies should be utilized in making a decision. In selecting an insurance company, it is wise to remember that the business of the company should be national in scope, its assets highly diversified, a good loss experience, ample capital surplus, and voluntary reserves; and its surplus to policyholders should not be less than the unearned premium reserves.⁴⁷

The distribution of insurance to company agents is often a troublesome and perplexing problem. Many boards leave themselves open to criticism because of an inequitable method of distributing the school's insurance to local agents. The agents come in contact with many persons in the community and many types of business. Consequently, their approval of the school's method of transacting business is important in establishing good public relations.

The role of the broker in risk management has undergone drastic change in the past three decades. A complete change in philosophy has emerged whereby emphasis has shifted from the traditional sales or producer functions to the rendering of professional assistance as an arm of management and as an independent consultant in the truest professional sense. The broker can keep his client advised of trends in the industry as well as new products and approaches. Consideration should be given to using brokers in managing the school risk program.

Bidding can be used by school systems to select a new agent or broker and/or to seek the lowest cost of insurance. If more than one agent/broker is to be involved, the school should draw up specifications based on thorough risk analysis.

Two broad categories may be used for bidding--open or closed. In the open bid, advertisements would be placed in the local press and all agents/brokers who meet the qualifications would be eligible to secure specifications and submit bids. Qualifications usually call for a specified minimum number of years of experience, certain staff size, minimum premium volume requirement, service facilities in other

cities, or other criteria deemed desirable or important. This type of bid can become unwieldy unless the specified qualifications are quite rigorous. Rarely used by commercial firms, the open bid is most often employed by public bodies such as municipalities, counties, or school districts.

The closed bid is "by invitation only." The bidding is limited to three or four pre-selected firms whose reputations and qualifications have been determined beforehand. Generally, each firm is restricted to one or two insurance companies, none of which may be approached by competing firms. Each firm receives letters of authority addressed to a specific company, rather than the more general "to whom it may concern" type letter. This type bid situation is most often used by commercial companies seeking to change brokers/agents.

Where a company is satisfied with its broker but wishes to test the market by having different insurance companies compete for its business, it should work through its broker and have him secure the bids from various insurers. A common set of specifications will insure fairness in the bids.

Regardless of the reasons for bidding, bid frequency should be limited to not more than once in every five to eight years. Bids are costly in terms of both time and money for all concerned. Excessive bidding simply adds unnecessarily to the cost of the insurance operation. Less frequent bids will generally result in lower quotations and better service. If an insurer knows that it is going to have to re-bid every year or at every three year expiration, it is likely to take

the cost of preparing such bids into account in determining its price. Service, too, will generally be better when a company knows it will not have to engage in a free-for-all fight for every renewal. Engineering services are expensive, as is risk management advice and service. For a company or agent/broker to be able to provide the fullest service, each has to be reasonably sure of being able to amortize the cost (especially the first year cost which is disproportionately high) over a number of years. If it knows that it will have to re-bid for the renewal, either the service will not be provided, or its cost will be reflected in the premium quotation.

If there has been no serious dissatisfaction with the incumbent agent/broker or insurer, change should be made only if an improvement in coverage or cost promised by another market is substantial. To change a satisfactory relationship for a modest gain could well be false economy because of the "start-up" costs inherent in any switch.

In the New York State Handbook, in answer to the question "Is it a desirable practice for the agent(s) or broker(s) who write the insurance to share a portion of the commission with the other agents or brokers?" the response given was:

In cases where the committee approach actually works as intended, there may be some justification for this otherwise undesirable practice. In most cases, however, it operates to the district's disadvantage. Where the commission is shared, it is highly unlikely that the writing agent will negotiate a reduction in commission with his companies. It tends to stifle competition in that agents receiving commission for no effort, have little incentive to compete. In any event, it is contrary to the insurance law unless those receiving a share of the commission are licensed as brokers, or represent as agents, the companies which write the insurance.⁴⁸

The selection of the agent or broker is a matter of discretion and the choice is generally dictated by the position of the school system within the community and the availability of professional insurance representatives who are capable of providing the necessary advice and service to the district. The primary consideration should be that of securing the best program and service to fit the needs of the district.

Economical Practices

The insurance program should be so organized that it will further the educational program. Since the educational plan is the basis of the budget, the insurance program and the business administration of the school become integral parts of the educational plan. Funds spent for insurance should be considered in relation to their contribution to the educational program. Below are steps that schools should consider in planning an economical school insurance program:

1. Make certain that school property is appraised properly. If the district is overinsured, public money is being wasted on unnecessary premiums; if underinsured, the district is being exposed to possible serious loss.

2. Include in the building value all items which can be insured at building rates. By incorrectly including such items with the contents, the district will pay the higher rate which applies to contents insurance.

3. Avoid duplicating coverage on the same item under different policies. For example, items insured on Marine Floater policies

should not also be covered under Fire Insurance or Automobile Physical Damage.

4. Take advantage of savings permitted for writing coverage on a term basis.

5. Make certain that the district is receiving all premium discounts to which it is entitled.

6. Obtain and review the fire rate makeup from the Insurance Rating Office, to see whether fire insurance rating penalties can be reduced or eliminated.

7. Give consideration to deductible features of policies which may be written on this basis in order to secure a reduction in premium.

8. Investigate all experience modification charges on policies which are experience rated. In particular, it is recommended that insurance carriers be required to report at least semiannually on all incurred losses which are charged against the district's experience record.

9. Classify fixed contents as a part of the building rather than as contents.

10. Insure building and contents at the replacement cost.

11. Have the school insurance program written on a term basis, three or five year.⁴⁹

Types of Policies

The type of policy utilized is crucial in ensuring adequate and cost-effective coverage for the school district. There are four

definite policy types, all coming within the standard form, namely: specific, blanket, schedule, and package.

Specific Policy

The specific policy is used to cover a particular building or both the building and its contents. However, the amount of insurance applicable to each is shown on the policy.

Blanket Policy

The blanket policy covers a group of properties but does not necessarily apply to any one property. It may apply to only one building and its contents or to several buildings and contents at one location, or it can apply to all buildings and contents at all locations in the district. When used to cover two or more properties, the distribution clause or the percentage average clause must be part of the policy.

A blanket 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 percent of the total values can be carried and the district might still receive full recovery on any one building.

One of the advantages of blanket insurance in school districts insuring more than one building is school officials are assured that all property is covered even though items 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.

Schedule Policy

The schedule policy may cover several risks, if an attachment giving a schedule of the risks covered is used. The schedule lists the names, the location, and the amount of coverage provided by the policy for each insured object in the schedule. The chief advantage of the schedule policy is that it reduces the number of policies school officials must handle as compared with the number of policies needed if all policies were of the specific type.

Package Plan

The package plan is the combining of several perils into one form. Today, however, a package policy includes the so-called fire and allied lines, liability, crime, boiler, machinery, and other coverages. Some laws and regulations prevent the State Insurance Commissions from agreeing to this type of plan, but it is a saving to the school districts in those states that are authorized to purchase the plan.

A true package policy would reimburse the school for any reduction of assets other than a business loss and would be very helpful. An advantage of a package policy is the elimination of delay in payment of losses which might occur under two policies. For instance, a boiler policy does not pay any loss by fire. If there should be a boiler explosion followed by fire, considerable argument could occur between companies as to how much should be paid by each.⁵⁰

Coverages

There are certain coverages which are common to most schools. An explanation of the basic function of each is given below along with general considerations and recommendations. This list is not all-inclusive. There are other coverages that some schools may want to consider and coverages listed that schools may not have a need for.

Fire Insurance

Fire insurance basically covers the perils of fire and lightning. The addition of forms and clauses to the fire insurance policy for certain basic changes are known as endorsements. The most common of these is the extended coverage endorsement attached to most fire policies. Extended coverage extends the fire insurance policy to cover the additional hazards of windstorm, hail, explosion, riot, riot attending a strike, civil commotion, accidents of aircraft or vehicles, and smoke damage. An endorsement does not increase the amount of insurance on a building or on its contents, but simply provides that the specified amount shall include, in addition to damages done by fire and lightning, any damages caused by the perils above. Other common types of endorsement are: (a) windstorm and hail, (b) unexpired premium, (c) vandalism and malicious mischief, (d) fallen building, (e) rental value, (f) explosion, and (g) general exclusions. Considerations and general recommendations for fire insurance are listed below.

1. The standard fire policy covers valuable paper and records

for the value of the paper on which records are kept. The cost to reconstruct records is not covered.

2. Outbuildings such as storage sheds, playground equipment, etc. is only covered if specifically identified and included in the policy or Statement of Values for Blanket Coverage.

3. If you desire to include architect's fees, make certain that the insurance company understands that the fees are to be insured.

4. In school districts which are completely dependent on one building or on a few buildings, there may be a need for Extra Expense Insurance which pays the insured for necessary expenses incurred after damage to the insured's premises or contents in order to continue school operations.

5. Schools should investigate using the package policy, Special Multi-Peril (SMP), which combines property insurance, general liability coverage, and crime coverages in one policy. Some companies can also include Boiler and Machinery Insurance. SMP offers reduced premium costs and coordinated coverages which are designed to fit together in a comprehensive program of protection.⁵¹

School districts may want to utilize the vandalism and malicious mischief endorsement. This extends the protection to cover willful physical injury to, or destruction of, the described property, but excludes glass breakage. In considering the purchase of this type of coverage, the administrator should determine whether a proper insurable situation exists, and whether the premium cost warrants the

coverage. If it is determined that the cost of vandalism damages remains rather constant from year to year and can be accurately predicted, there is little purpose in carrying insurance. To do so means little more than trading dollars and paying a fee for the processing of claims. If it is determined that vandalism losses are unexpected and could result in an expense of a catastrophic nature, then insurance coverage is probably warranted. In such cases, deductible coverage should be considered in order to reduce the premium cost by eliminating the expense of handling small claims.⁵²

Liability Insurance

A major responsibility of school boards and school administrators is safe-guarding from injury pupils enrolled in the schools, employees, and other persons who have occasion to be on school premises. Employer's liability is generally restricted because of the workmen's compensation laws prevalent to some degree in all states. However, there is no such commonality of laws concerning injury to persons other than employees, and the liability of school districts and their employees for such injuries varies from a high degree of immunity in some states to broad statutory liability in others. In some cases, immunity has been abrogated by court decision in the absence of legislative statute. There are numerous questions concerning the extent to which districts, board members, and employees may be held liable for various types of injury to person or property, the extent to which protection may be secured through the purchase of liability insurance and the use of

public funds to purchase such protection. Considerations and general recommendations for liability insurance are listed below.

1. The size of the district has nothing to do with the maximum limit of coverage required. The potential liability is as great in a small district as a large one. Caution should be used in setting limits for property damage.

2. A single-limit policy, which provides payment up to a specific amount in a single limit for any accident or occurrence is recommended.

3. Consideration should be given to protection against liability for the operation of privately owned vehicles, primarily the use of such vehicles by employees on school business.

4. In those districts where there is some abrogation or some limitation of governmental immunity, the liability policy should contain contractual liability.

5. Competent legal counsel should be consulted to ascertain whether liability exists in a particular district, and the extent to which public funds may be used for the purchase of protection.

6. Unless the district is in a state where some type of special form is available, a comprehensive general-liability policy endorsed to fit the particular needs of the district should be secured.

7. The policy should cover, in its simplest form, everything for which the district may be held liable.

8. Exclusions should be checked carefully. If the district has any exposure or liability which is not covered in the policy,

consideration should be given to a special endorsement to eliminate the effect of the exclusion.

9. A broad, well-managed safety program should be initiated and maintained.

10. Comprehensive liability coverage either in a single all-inclusive policy or by dividing the coverage between a Comprehensive General Liability and a Comprehensive Automobile Liability Policy should be considered.

11. Liability insurance known as School Board Indemnity should be considered.

12. Catastrophe Liability Insurance has few exclusions and should be considered.⁵³

Boiler and Machinery Insurance

Boiler and Machinery Insurance has been written in the United States for almost a hundred years, and through the inspection service provided, has resulted in increased safety in the operation of all types of machinery and pressure vessels.

The coverage is designed to provide protection against losses resulting from the explosion or rupture of pressure-type vessels or from breakdown or limited breakdown of certain types of machinery such as engines, pumps, compressors, turbines, and electrical apparatus. Boiler and Machinery Insurance is based on the premise that accidents involving this type of equipment can be prevented by proper engineering and inspection service, so that expected losses may be stabilized to a point at which a sound insurance plan at reasonable rates is possible.

Considerations and general recommendations for Boiler and Machinery Insurance are listed below.

1. Boiler insurance is offered under Limited and Broad Form Coverage. Limited protection covers the sudden and accidental tearing asunder of the pressure equipment or any part of it. The Broad Form covers the bulging, burning, or cracking of a cast-metal part. There is little question of the value of the Broad Form for steel boilers, but there is some doubt as to whether it is proper to insure cast iron boilers under Broad Form because of the rather high premium charge for this type of equipment. It is recommended that school districts consider fully the cost of better insurance for steel boilers, as compared with the charges for cast iron boilers, in negotiating for the purchase of pressure type heating equipment. The initial cost must be balanced against maintenance and operating costs including the premium charge for insurance.

2. The normal occurrences of a maintenance nature are not included in the Boiler Insurance policy and should be provided for in the regular maintenance budget.

3. Most insurance companies provide boiler inspection by a licensed inspector at regular intervals.⁵⁴

Glass Insurance

Insurance to protect glass is available, but few schools carry it because of the cost and the small incidence of breakage. A standard fire policy or an extended endorsement will cover loss of glass from fire, hail, explosion, wind, or riot. Considerations and

recommendations for Glass Insurance are listed below.

1. It is generally more practical for school districts to include provision for damage to ordinary glass in the operation and maintenance budget. It is sometimes desirable, however, to insure certain plates of glass of unusual size or value.

2. A Vandalism and Malicious Mischief Endorsement does not cover loss to glass except building blocks.⁵⁵

Vehicle Insurance

Accidents involving vehicles can result in large financial losses to a school district and, with some frequency, give rise to liability claims. There is also a concern for the protection of the district's investment in the vehicle fleet through insurance covering fire, theft, and other perils.

Insurance covering the hazards of ownership of motor vehicles is divided into two groups: (1) the material damage or destruction of the vehicle itself, and (2) coverage of liability for injury to persons or damage to property of others. Considerations and general recommendations for Vehicle Insurance are listed below.

1. A safety training program for all bus drivers and pupils should be operable.

2. The district should establish rules for speed and traffic control, and all drivers should be familiar with them.

3. Aside from the liability aspects surrounding the operation of motor vehicles, consideration must be given to coverages which protect the district against physical damage to its own transportation

equipment, including loss from fire, theft, explosion, windstorm, earthquake, flood, hail, falling objects, vandalism, and collision or upset. Comprehensive insurance should be considered for the above.

4. The degree of risk involving collision will vary greatly from district to district. In a district that has sufficient cash reserve, operates a rather large number of vehicles, or maintains its own garage and general repair facilities, to be uninsured against collision may result in a district savings.

5. 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 program, collision coverage with some amount of deductible is recommended, since total loss or extensive damage to a single vehicle could have a serious effect on the district's finances.⁵⁶

Crime Coverages

The increased activity of school districts in commercial and proprietary functions places added responsibility on administrators to secure adequate protection against loss of school district and student body money and property. Substantial amounts are collected by student body personnel in connection with various student activities, sporting events, and the sale of student supplies. Teachers and administrators collect funds for various types of drives and candy sales. There is a very substantial investment of public funds in many types of audio-visual equipment, musical instruments, athletic equipment, and various types of supplies and training aids.

Schools are particularly vulnerable to vandalism, are targets for petty thieves, and not infrequently, of apparently organized gangs that systematically remove rather large numbers of musical instruments, television sets, radio sets, typewriters, and office equipment. With full respect for the generally high caliber of the professional educator, loss of district funds and property through infidelity of employees is frequently reported. Protection against loss resulting from dishonesty of employees or the dishonest acts of others is available under a number of forms of coverage.⁵⁷

Fidelity and Surety Bonds

Protection against loss resulting from dishonesty of employees is afforded through purchase of a fidelity bond. Under this type of insurance contract, the insurance carrier agrees to indemnify the employer for loss resulting from dishonest acts of his employees. Considerations and general recommendations for fidelity and surety Bonds are listed below.

1. Adequate coverage for school districts is normally provided by a blanket form of fidelity bond, Open Stock Burglary, and Broad Form Money and Securities coverage, supplemented by All-Risk Insurance on selected items.
2. The use of deductibles is extremely important in the consideration of all forms of crime coverage.
3. In filing claims for reimbursement of a loss under all forms of crime coverage, it is necessary that the carrier be notified

of the loss within a reasonable time or as soon as is reasonably practical.

4. It has been found that the practice of holding parents or others responsible where guilt can be established in the loss of school property is a worthwhile deterrent to theft of and damage to school-district property.

5. Care should be taken to secure quotations from insurers. Some insurers stray from the rate structures. Including Tax Collectors, Treasurers and other officials may help to achieve significant premium savings.

6. Under Individual and Name Schedule forms, the school division must show that the insured employee was the one who caused the loss. Under either of the blanket bonds, it is sufficient to show that some employee caused the loss, even though the particular person responsible cannot be identified.

7. The Public School Blanket Bond form covers pupils who handle extracurricular funds.

8. School divisions that are building should consider contract bonds.

9. The use of All Risk Insurance should be considered.⁵⁸

Pupil Accident Insurance

In establishing a pupil accident insurance program, the primary question on the part of the school district is the extent to which it wishes to become involved in the program. If it is determined to have a strictly voluntary program, with participation being at the option of a

parent, a question remains as to the extent to which the district may wish to promote and service the program. Since it is illegal in many areas for a school division to give out information concerning addresses or identity of pupils, the district would normally have to agree, as a minimum contribution, to distribute literature and application forms to each pupil. A letter from the superintendent or the individual school principal indicating the basis on which the program is being offered aids materially in increasing participation. Considerations and general recommendations for Pupil Accident Insurance are listed below.

1. It is important that the school district check carefully on the reputation and stability of the company selected as the carrier under a program of pupil accident insurance. The school is seen as the sponsoring agency.

2. The plans offered by commercial insurance companies are not standardized contracts. There is considerable variation from one company to another in the nature and extent of the benefits offered. Contracts should be closely scrutinized.

3. The protection provided and scope of the coverage should be broad and insure students protection for all school related activities.

4. Twenty-four hour coverage should be considered.

Workmen's Compensation Insurance

Basically, Workmen's Compensation insurance covers liability imposed by law upon employers to compensate their employees for injury sustained from accidents arising out of and in the course of their

employment, and generally without regard to negligence or fault of either the employer or employee. There is coverage in every state but there is considerable variance in the amounts of benefits. It usually provides for the payment of all medical and hospital expenses, along with temporary disability compensation for the period during which the employee is unable to perform his duties because of the injury. Under compensation law, an employee has no recourse against an employer in connection with on-the-job injuries other than under the statutory benefits of Workmen's Compensation. Considerations and general recommendations for Workmen's Compensation are listed below.

1. Workmen's Compensation is generally the most costly in the school district's insurance budget. It is important that school administrators take positive action to control the cost of Workmen's Compensation whenever possible.

2. School risk managers must be familiar with the provisions of the labor code or other governing statutes applying to Workmen's Compensation to make certain that the division's operations are in conformity with the law.

3. School risk managers should be sufficiently familiar with rates to make certain that proper charges are made according to the classification of employees.

4. It is important that school divisions maintain extensive records of accidents involving employees so that causes may be determined and comparisons made to indicate whether loss experience is improving or becoming more serious.

5. A sound program for the prevention and control of employee accidents should be functioning.

6. A pre-employment physical geared to the employees prospective assignment should be required.

7. A close liaison should be maintained with the carrier of the school division's compensation insurance.⁶⁰

Typical School Insurance Program

The following is an outline of a typical school insurance program. There is no single insurance program that can be considered truly typical, but most utilize various combinations of the alternatives illustrated in the outline. It should not be assumed that all of the coverages or policies in the outline are necessary to an adequate program. Conversely, all of the coverages that might be needed are not listed.

I. Special Multi-Peril Policy

A. Fire and Related Perils

1. Standard Multi-Peril form with coinsurance clause in force, or Special Institutional form with Agreed Amount clause
2. Fire, Extended Coverage, and Vandalism, or All Risk
3. Eighty per cent coinsurance Specific, or ninety per cent coinsurance Blanket
4. Actual Cash Value or Replacement Cost
5. Builders' Risk endorsement, for new buildings under construction
6. Extra Expense endorsement

B. General Liability

1. Bodily Injury and Property Damage Liability
2. Personal Injury (libel, slander, etc.) Liability
3. Incidental Medical Malpractice
4. Comprehensive form
5. Liability coverage for statutory obligations to protect board members, officers, and employees
6. Coverage for outdoor stadia, grandstands, or bleachers
7. Contractual Liability, to cover liability of other assumed by contract
8. Products and Completed Operations coverage
9. Independent Contractors coverage
10. Immediate Medical (First Aid) coverage for pupils (Not carried by districts with Blanket Student Accident coverage)

C. Crime

1. Money and Securities Broad Form or Safe Burglary and Robbery Inside and Outside premises
2. Mercantile Open Stock Theft and/or Burglary
3. Public School System Employee Blanket Bond, including or not including coverage on officers and employees required by law to file official undertakings

D. Inland Marine Floaters

1. Camera (audio-visual equipment)
2. Contractor's Equipment (grounds maintenance equipment)
3. Musical Instruments
4. Fine Arts

E. Boiler (often separate policy)

1. Limited coverage on steam objects only or Broad coverage on all objects

2. Actual Cash Value, or Repair or Replacement
 3. Explosion Exclusion Endorsement
- II. Automobile Liability and No Fault, and Physical Damage Policy (sometimes separate policy for physical damage)
1. Bodily Injury, and Property Damage Liability, and Basic No Faculty Benefits
 2. Comprehensive Liability form
 3. Liability coverage for statutory obligations to protect board members, officers, and employees
 4. Liability coverage for Owned, Hired, and Non-Owned vehicles
 5. Driver Training car endorsement
 6. School Bus endorsement
 7. Repair and Testing endorsement
 8. Collision (some districts do not carry collision)
 9. Fire and Theft or Comprehensive
- III. Catastrophe Liability Policy
1. Excess coverage over all other liability coverage
 2. Provides liability coverage where other liability doesn't apply, subject to insured retention ("deductible") of generally \$10,000
- IV. Workmen's Compensation and Employers' Liability Policy
1. Resolution to include elective and appointed officers
- V. Official Undertakings
1. Separate bonds on Treasurer, Tax Collector, and others, or all included under Blanket Bond.⁶¹

Related Research Studies

A number of studies of school insurance were examined. From the various studies investigated, 13 completed during the period from

1950 to 1975 were selected because they were relevant to the purpose of this study. They are presented in chronological order and are identified by the name of the individual or state who conducted the study.

The Ewing Study

Ewing, in 1950, made a study of board of education insurance practices in the public schools of Illinois. The legal status of school insurance in Illinois, self insurance, the extent to which public schools were preferred risks, and the economies of school insurance were examined. Recommendations are today considered as sound public school insurance principles. Ewing recommended that schools:

1. Appraise property to determine insurable values.
2. Hold inspections for, and removal of, risks.
3. Use professional appraisers or qualified personnel.
4. Hold training programs on insurance for boards of education and school administration.
5. Advocate a state program of safety and conservation.
6. Check building plans for factors that might increase insurance costs.
7. Audit or review policies at regular intervals..
8. Schedule meetings regularly with the school board, school administrators, Superintendent of Public Instruction, State Fire Marshall, and the State Director of Insurance for the purpose of improving the school insurance program.

The Taylor Study

In 1952, Taylor examined the school districts of Nebraska. A questionnaire survey was made to determine the existing school insurance practices in that state. From this, Taylor offered the following recommendations:

1. In the interest of more efficient operation of the school insurance program, it is recommended that the control of the insurance program be vested in one individual. This individual may be the superintendent who is responsible to the board of education or some other individual responsible to the board through the superintendent.

2. For the purpose of evaluating the entire insurance program in the school, it is recommended that each school adopt simple, concise methods of keeping records of insurance policies and the coverage in each.

3. In order to conform with the legal standards of the state, it is recommended that every school official concerned with the insurance program and especially the one to whom the responsibility is delegated study the laws to determine what insurances are legal.

4. For the purpose of putting the fire insurance program on a sound basis, it is recommended that each school obtain accurate, scientific appraisal of the school property from a qualified source.

5. In order to keep the estimated insurable value near the actual value of the property, it is recommended that a system be introduced whereby the computation of depreciation is as accurate as possible.

6. For the purpose of eliminating penalties in case of loss on a coinsurance clause, it is recommended that the school district carry at least the amount of insurance specified in the coinsurance clause based on the insurable value of the property.

7. In view of the fact that much property is underinsured, it is recommended that each school check its insurance coverage to see if it is adequate and, if not, make the necessary changes in the coverage.

8. Since coinsurance gives the same protection as flat insurance but at a greatly reduced cost when properly administered, it is recommended that those schools not insuring under a coinsurance clause do so immediately.⁶³

The Finchum Study

Finchum, in 1953, made a case study of fire insurance in Tennessee which also examined the administrative practices and procedures which were being followed by school administrators and school boards in the operation of insurance programs covering building and contents. The legal aspects of school insurance, elimination of fire hazards, and the manner in which school boards insured their property were examined. Finchum recommended that school boards adopt the following practices:

1. Place the responsibility for the entire school insurance program in the hands of one school official.

2. Determine insurable values through the use of competent appraisers and through the use of annual inventories made by school personnel.

3. Select the type and term of insurance coverage best suited to the needs of the local situation.
4. Determine the form and extent of insurance coverage needed by the local school system.
5. Select insurance carriers which operate on a national scale.
6. Distribute the school insurance business to local agencies by some objective system.
7. Secure all possible insurance economies by:
 - (a) Using coinsurance.
 - (b) Using the standard extended coverage endorsement for both buildings and contents.
 - (c) Using the three-year, the five-year, or the 78 percent optional renewal term plan.
 - (d) Classifying the contents of a fixed nature as a part of the building rather than as contents.
 - (e) Excluding unburnable items, if the coinsurance clause is used.
 - (f) Securing the survey-rating sheets to determine the penalty factors on each building, specifically rated, making corrections of indicated faults, and calling for reinspections.
 - (g) Budgeting insurance payments.
 - (h) Installing and maintaining adequate underwriter-approved fire protective equipment.

- (i) Making minor alterations in existing buildings to provide for rate credits.
- (j) Using the blanket policy form in the larger districts.
- (k) Insuring for no more than the property is worth.
- (l) Asking for competitive bids.
- (m) Investigating the possibility of the single client association.
- (n) Using mutual insurance carriers, provided the policies are non-assessable and provided agency services are comparable to stock agency services.

8. Keeping adequate insurance records, using form seven of the state public school financial accounting system. Store all policies in a fire-proof vault which is located away from the premises.

9. Check policies for concurrency and accuracy of property description.

10. Submit all plans and specifications for new buildings or for the remodeling of old buildings to the State Inspection Bureau for suggestions and recommendations.

11. Insure all heating boilers not only for protection but also for the service provided, being sure to ascertain that the company accepting the risk provided inspection services.

Finchum recommended further that the State Board of Education should require a complete annual insurance report from each public school system in the state.⁶⁴

The Salmon Study

Salmon, in 1957, made a study of school districts who employed business managers and who were affiliated with the association of School Business Officials of the United States and Canada (ASBO). From this study, findings were put forth using the principles and standards of school insurance that had been adopted by the association. His findings at that time were:

1. Most of the schools reporting were using an extended coverage clause and seventy percent were purchasing three to five year term policies.

2. Approximately forty percent of the schools reporting were using agents or brokers without bidding school insurance.

3. Twenty-five percent of the schools failed to conduct regular fire prevention inspections. These same schools did not maintain a record of inspections or an inspection list.

4. School districts were not taking advantage of the competitive benefits of the insurance market by bidding the school insurance.

5. School districts were not maintaining records or data which could influence a state insurance commission to revise rates on school district property.

6. School districts were not using the broad coverage insurance forms available to schools.⁶⁵

The Leathers Study

Leathers, in 1960, investigated insurance practices in Texas. The primary objectives of the study were to obtain information on

(a) the methods used to purchase insurance, (b) the organization and administration of fire insurance programs at the local level, and (c) the changes that could be made to improve the school property insurance program at the state level. Findings were:

1. The cost-loss ratio of school property insurance during the period from 1953 to 1958 was twenty-nine percent. From this, it was concluded that school systems in Texas were paying more than they should for their property insurance.

2. Only a small percentage of schools were taking bids on property insurance.

3. The majority of school officials favored a state-operated insurance fund.

4. Most school systems allowed their agents to select the company with which they were insured.

5. In most school systems, the superintendent was responsible for the purchase of insurance.

Leathers recommended the following for the improvement of the insurance program in Texas:

1. The local board of education needs to establish policies and then delegate the full-responsibility of administering the local school property insurance program to the superintendent. If the school has a business manager, the superintendent should probably delegate this responsibility to him.

2. The person responsible for the local school property insurance program should study the technical aspects of property insurance

in order to assist the agent in arriving at the property coverage and plan of coverage.

3. Professional appraisers should be used by school systems in establishing insurable values. This is particularly important in school systems which write replacement value insurance or high percentage co-insurance.

4. The Blanket or Schedule policy plan is recommended for school systems in which buildings are of similar construction. The Blanket or Schedule policy plan eliminates a number of the problems connected with the specific and multiple policy plans. The Specific policy plan should, however, be considered by all school systems on buildings which carry a high rate.

5. The local school board should consider awarding its insurance business to the local insurance agents' association. With such an arrangement, one agent usually handles the school insurance for a percentage of the premium and then distributes the remaining insurance according to some percentage base that is mutually agreed upon.

6. The local school administration should arrange the school property insurance program so that approximately equal annual amounts can be budgeted for insurance premiums. The financing of a school program is much easier if the fixed charges of a school system are about the same each year.

7. The local school authorities should see that a set of systematic insurance records and complete inventories on the contents of

each building are kept. They should also provide a safe place for these records. Such records are invaluable in event of a loss.

8. The person responsible for the local school insurance program should study the rate analysis sheet and make frequent inspections in an effort to reduce the rate and hazards of each building.

9. A local policy, board or administrative, should be made to establish the procedure to be followed in event of loss.

10. The local board of education should award school insurance on the basis of coverage required, quality of service, and cost, disregarding grants, awards, or other returns to the school program from the agent or group of agents awarding the insurance.⁶⁶

The Cleveland Study

Cleveland, in 1964, analyzed the fire insurance practices of South Dakota independent school districts through personal interview with the superintendent and/or business manager. Cleveland discovered that the fire insurance program in South Dakota was poorly administered and there was a need and desire for leadership. Recommendations for improving the program at the local level were:

1. The local board of education should include in its written policies a policy statement relative to the administration of its property insurance program.

2. The local board of education should delegate the major responsibility of administering the property insurance program to one individual who is officially responsible to the board of education.

In most cases this individual would be the superintendent or the business manager.

3. The local board of education should select a competent fire insurance advisor to assist in the planning of the district fire insurance program.

4. Property accounting practices of school districts should be improved, with the minimum requirements for such records being established by the State Board of Education. Complete inventories of building contents and records of building costs, renovation, etc. should be maintained.

5. Professional and competent appraisers should be employed by school systems in establishing insurable values.

6. The local board of education, in order to eliminate the subjectivity so common in the allocation of school property insurance, should develop an objective and equitable plan of allocating its fire insurance business based on coverage, quality of service, and cost.

7. The personnel administering the district's fire insurance program should check the financial rating of insurance companies by standard rating systems and ascertain the claims settlement policy of the companies before the board of education considers the companies as insurance carriers of school property insurance. Devices such as Best's Insurance Guide should be employed.

8. School districts should concentrate on efforts to effect savings in school insurance through elimination of hazards and penalties. Special consideration should be given to (a) rating analysis

sheets, (b) the services offered by Fire Underwriters Inspection Bureau, (c) the use of competitive bidding in the purchase of fire insurance, and (d) a reduction in the number of insurance companies with which the district insures.

9. The insurance programs should be revised so that approximately equal premiums become due each year.

10. Each school district should establish a definite procedure for reporting losses.

11. Systematic insurance records should be maintained. A copy of these records along with the insurance policies should be kept in a fireproof place, preferably in a location other than in the school plant.

12. All construction plans, both for new buildings and remodeling should be submitted to the Fire Underwriters Inspection Bureau so that factors that may increase the rate of the particular building may be determined and corrected prior to construction.

13. A thorough study should be made of the fire insurance practices and program of each individual school by the person delegated the authority of administering the program. Evidence obtained in the study indicated some of the prevailing practices point to much inefficiency.

14. Each district should determine which policy form best meets its needs (Specific Policy form, Schedule Policy form, or Blanket Policy form).

15. District personnel, delegated the responsibility of the fire insurance program, should familiarize themselves with the operation and advantages of the coinsurance clause.⁶⁷

The Smith Study

Smith, in a 1966 study, evaluated the insurance program of 330 school districts in New York State. Insurance program criteria were developed, validated, and utilized in the study. The findings and recommendations of the study were:

1. Pupil enrollment, expenditure per pupil, type of district, geographic location, and grades taught had no significant effect on the quality of the New York State public school district insurance program.

2. There were major areas in need of strengthening covering nine specific points as summarized below:

- (a) A written set of board policies should be adopted governing the district insurance program.
- (b) Insurance should be purchased by competitive bidding or quotations based on firm specifications.
- (c) Consulting insurance specialists should be retained, who do not profit from the sale of insurance to the district, to review and evaluate the hazards to which the district may be exposed and to determine the amount of insurance needed.
- (d) The financial strength and management ability of insurance companies should be determined through Best's

Guide or similar insurance rating publications.

- (e) A firm of independent commercial appraisers should be hired to establish insurable values of district property with an annual updating to reflect changes.
- (f) The Fire Insurance Rating Organization should be requested to make a fire safety inspection of the district's buildings.
- (g) A comprehensive safety program should be established to reduce accidents.
- (h) Agents and brokers should be required to submit recommendations for suggested improvements in the district insurance program prior to renewal or at other regular periods.
- (i) Insurance should be purchased through package plans whenever practicable.⁶⁸

The Sutphin Study

Sutphin, in 1967, studied the insurance practices of the public school divisions of Virginia. Twenty-five recommended fire insurance practices were compared to public school fire insurance practices in 111 reporting school divisions and the following conclusions were drawn:

1. In more than seventy-five percent of the school divisions of Virginia, the fire insurance management practices were in agreement with four of the twenty-five recommended insurance practices.

2. In more than fifty, but in less than seventy-five percent of the school systems of Virginia, the fire insurance management

practices were in agreement with twelve of the twenty-five recommended fire insurance administrative practices.

3. In more than twenty-five, but in less than fifty percent of the school systems of Virginia, the fire insurance management practices were in agreement with two of the twenty-five recommended fire insurance administrative practices.

4. In less than twenty-five percent of the school divisions of Virginia, the fire insurance management practices were in agreement with seven of the twenty-five recommended fire insurance administrative practices.

Based upon these conclusions, the following recommendations were made:

1. All school boards in the school system of Virginia review the existing fire insurance management practices in their school systems, using the practices recommended in the study as a guide.

2. When discrepancies were found between the recommended practice and the existing practice, study be given to the advisability of adopting the recommended practice.⁶⁹

The Roberts Study

Roberts, in 1968, did a thorough and most significant study of risk management in Arizona's secondary school districts. A set of criteria for risk management was established and a model for risk and insurance management was developed. The policies and practices existing in the public secondary schools of Arizona were evaluated and model building as a means of evaluating and recommending changes in practices

in school district risk and insurance management was explored. He reported the following unsound policies and practices:

1. District personnel lack training in risk and insurance management.

2. Districts do not have written statements or policy to act as a guideline for the risk and insurance program.

3. Reporting districts do not maintain a complete risk identification analysis program. The area of fire prevention and the protection of monies, securities, and records are the prime areas of concern.

4. School districts do not maintain complete records of the risk and insurance program. The district records tend to be limited to the insurance protection program.

5. Districts need to establish and maintain more complete appraisal programs.

6. Inventory and appraisal programs could be more effectively managed by using some system of data processing. This is more important in the larger school districts.

7. School districts need to extend the programs in the areas of loss prevention and safety. The involvement of the employees, students, and specialists should be fostered in this program.

8. Special forms for risk identification, analysis, and claims service should be developed by districts which will meet the individual needs of the district.

9. The claims program should be well defined and the procedures made clear to district personnel.

The following recommendations were made to local school districts:

1. The local school district should establish the following risk management programs: (a) identification and analysis, (b) loss prevention and safety, (c) insurance, (d) claims, and (e) records.

2. Districts should develop a statement of policy to serve as the guideline for risk management.

3. The board of education should appoint one school official to be responsible for the risk management program.

4. A program of training for all district personnel involved in the risk management program should be maintained.

5. The risk manager should solicit the cooperation of and involve all employees and students in the loss prevention and safety program.

6. The risk manager should involve specialists in the risk program, as is possible to do so, and as specialists are available.

7. Records of all facets of the risk management program should be complete, current, and readily available for use in the district insurance program.

8. Special forms should be developed for reporting purposes, and these forms should serve as a guide to the person using them.

9. The risk manager should establish and maintain current inventories and realistic appraisals.

10. All types of insurance protection and insurance companies should be considered in placing insurance business. The protection provided and the services available are both of prime concern in placing school business.

11. All means of economies in purchasing insurance protection should be considered by the risk manager and incorporated in specifications and directions to insurance companies.

12. The risk manager should create an awareness, not fear, of risks on the part of district personnel.

13. The district risk management program should be reviewed in its entirety at regular intervals.⁷⁰

The Lincoln Study

Lincoln, in 1970, developed steps and a checklist of variables in developing a school building insurance program in Missouri. Procedures included a review of the literature and interviews with Missouri insurance specialists. Findings are listed below:

1. The type of insurance program is dictated by legal requirements.
2. State supervision of the insurance business is necessary.
3. Rate making bodies maintained in most states set the rates to be charged.
4. Several plans of providing protection for school property are available.
5. Rate deviations allowed depend on the plan selected.

6. Coverage available in most fire policies include perils of fire and lightning, but numerous endorsements and riders can be added.

7. Insurable values should be determined by competent authorities.⁷¹

The California Study

The California State Department of Education examined insurance practices in the public schools of that state. The study suggested 37 questions to judge the worth and effectiveness of the school administrator in administering the insurance program. These were:

1. Has he placed the insurance to the best advantage for the school district and taken into account service, cost, and adequate coverage of all insurable values?

2. Have sound appraisals and inventories been made? Have they been made by an appraisal firm or someone else on whose appraisal the insurance company will make payment against losses without question?

3. Has the insurance been placed with a reliable broker or agent, with a company that is rated in one of the national rating bureaus?

4. Does the company who handles the insurance have sufficient resources to pay off the total value of the policy in each case?

5. Are all policies concurrent?

6. Is there any overlapping of insurance such as boiler insurance and fire insurance premiums being paid for the same coverage?

7. Have the best premium rates been arrived at?

8. Are records satisfactorily maintained as to movement of equipment and furniture?

9. Has insurance been placed on all positions blanketed at 90 percent coinsurance? Has this 90 percent been carefully maintained at all times?

10. Have adequate limits of public liability and property damage been stated in the liability policy or is it far in excess of reality? (Too much is a waste of money, too little is criminal).

11. Are the latest insurance forms being used, or are there so many endorsements on each policy that it is almost impossible to arrive at a determination of what is actually covered?

12. Are there a minimum number of policies written for the school district? Are they written for the maximum length of time allowed by law in order to protect the district from sudden premium increases? Are they written in such a way that premium rates can be negotiated in case of:

- (a) Change of rating in fire protection in your area?
- (b) Change of rates due to erection of a modern building of a different class?
- (c) Rehabilitation and modernizing of an existing building into a different class building?

13. Are insurance policies placed with mutual insurance companies? If so, are they subject to assessment? In California it is legal for mutual companies to issue non-assessable policies.

14. If there is an agent of record, are all premiums paid directly to him? (If separate policies or insurance companies are granted business as individuals the total amount of premiums paid by the district then becomes a matter, in California at least, of all insurance agents who reside in the district wishing to receive a share of the premiums. Also, if there is an excessive number of policies written for fire or liability protection, then an excessive number of claims must be made in case of loss, and an excessive number of checks is received to cover same. In many cases, insurance companies will haggle as to what their fair share of the loss should amount to percentage-wise.)

15. Has the administrator given proper thought to his fire policy being placed on replacement value, actual value, depreciated value, or agreed or stated value?

16. Does the fire insurance policy contain extended coverage clauses?

17. Are vandalism and malicious mischief covered?

18. Does the premium for glass breakage exceed the actual loss by an appreciable amount per year?

19. Are fidelity and faithful performance bonds purchased in proper amounts of coverage? Do they actually fit the circumstances and operations of the district?

20. Is a name schedule fidelity bond in effect in the district in proper amount and naming proper personnel?

21. Are the employees protected by the best possible group insurance per dollar value?

22. Is malpractice insurance in effect to protect nurses and doctors employed by the district?

23. Are the district's employees, officers and agents protected from suit due to claim of inefficiency or negligence, false suit, and vehicular accident?

24. Does the administrator understand and continually strive for rate reduction?

25. Are the funds of the district properly protected against loss by burglary and robbery? Is it stipulated that money is covered whether on school district property or in transit, i.e., from cafeteria collections to a central office, from school property to the bank, etc.?

26. Has proper thought been given to comprehensive dishonesty, disappearance and destruction insurance?

27. Has a decision been made on an overall policy which covers all phases of insurance, i.e., a package deal, all risk, against individual policies and various types of insurance available?

28. Is there a floater policy covering office equipment, band uniforms, instruments, etc., which insures against robbery or breakage loss when these are being transported?

29. Has open stock burglary insurance been considered?

30. Is Workmen's Compensation being enforced properly according to the dictates of, in California, the State Compensation Insurance Fund?

31. Is vehicular insurance in effect? Is the deductible thereon realistic for collision? Is collision insurance carried at all?

32. Does the insurance administrator sit in on planning of new buildings? Does he understand and can influence planning of new buildings as to the various types of construction from an insurance saving standpoint?

33. Is demolition insurance carried or has it been considered?

34. Does the administrator adequately cover the school district in his insurance program during construction periods of new buildings?

35. In contract writing, is the district covered?

36. Are insurance policies in effect on abandoned buildings, unused buildings, buildings that are empty and have little or no value? If so, have the policy values been properly reduced?

37. Does the administrator understand the various insurance forms, terms, and the reason for the use of these?⁷²

The Ladd Study

Ladd, in 1974, examined the factors to consider in planning a fire and extended coverage insurance program in Mississippi public schools. The study also investigated the role of the Mississippi Insurance Commission and the state rating bureau. A questionnaire was sent to all 150 public school districts. The following conclusions were reached:

1. Public and Institutional Property Plan is the most economical for public schools.

2. To effect economy, districts should utilize a coinsurance clause.

3. All districts should have a comprehensive board policy dealing with insurance.
4. One school official should be in charge of the insurance program.
5. Bidding/negotiation should be investigated for effecting economies as well as utilizing several year term insurance.
6. Many school districts in Mississippi could realize a substantial savings from their insurance programs if they took the options of deductibles and rate deviations available.
7. Types of coverages selected should be Specific, Schedule, or Blanket.
8. Property can be insured either for its actual cash value or replacement cost value.
9. The coinsurance clause is one of the most used but least understood clauses found in fire insurance policies.
10. A substantial savings can be gained through the use of a deductible clause.
11. It is necessary for school officials to know both the extent of the coverage and the limitations or exclusions in the insurance policy.
12. Responsibility for the insurance program should be delegated to the superintendent or business manager.
13. Board policy should be written concerning the insurance policy.⁷³

The Langstadt Study

Langstadt, in a 1975 study, compared the cost-loss ratio of selected Indiana school corporations in physical property insurance coverage and built a self insurance model to determine if a program of self insurance by means of a funded reserve was feasible as an alternative for the protection of physical property. The study included those schools having 10,000 or more students during the years 1969-70 through 1973-74. The findings of the study support the following conclusions:

1. A considerable cash reserve would be available for educational purposes, other than the payment for insurance premiums, if the school corporation in the study had formed a self insurance fund during the 1969-70 school year and maintained the fund for a five-year period.

2. All of the state self insurance funds are operating with sufficient reserves to offset operating expenses and pay loss claims as they occur.

3. Self insurance costs for the public schools in states with operating self insurance funds varied from no costs to 68 per cent of insurance bureau rates.

4. Economically, a self insurance fund would be feasible for the public schools of Indiana.⁷⁴

FOOTNOTES--CHAPTER II

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Chapter III

THE LEGAL MANDATORY REQUIREMENTS FOR INSURANCE PROVISIONS

This chapter examines the legal mandatory requirements for insurance provisions in the public school divisions of Virginia. Periodicals, textbooks, journals, state laws, court cases, and the Opinions of the State's Attorney General were reviewed. In addition to identifying the legal mandatory provision for insurance, the status of governmental immunity for torts in Virginia was examined. This was necessary because of the rapidly changing nature of governmental immunity and the implications for insurance coverage.

The chapter is divided into two areas. The first deals with the statutes which delineate the provisions for insurance, and the second with tort liability and governmental immunity in Virginia.

In the summary of the chapter, a list of the legal concepts that statutes and judicial decisions have revealed is presented.

1. Virginia Statutes Related to Public School Insurance

The statutes that delineate provisions for insurance are presented in five sections: (1) school board authority, (2) school bus insurance, (3) pensions and retirement, (4) liability insurance for officers and employees, and (5) other miscellaneous provisions for insurance.

School Board Authority

The provisions for school board authority are contained in § 22-272 of the Virginia Code which provides that school boards shall have the power and duty to provide for the necessary insurance on school properties against loss by fire or against such other losses as deemed necessary. Local school boards are authorized to expend funds for liability insurance on the theory that such insurance is in the public interest.

In addition, a school board has authority to retain counsel to represent officers in tort actions if committed within the scope of its employment. The authority to employ counsel to defend the action against the employees of the school board depends upon the facts and allegations in the case. If the employees are alleged to have committed torts while acting beyond the scope of their employment, the school board would have no authority to expend funds for their defense. Conversely, if the damages are alleged to have occurred from actions of the employees while performing their governmental duties, the board would be authorized to defend the action against them.¹

School Bus Insurance

The legal provisions for school bus insurance are contained in Title 22, Section 13, Article 2 of the Code of Virginia which requires all public school units to comply with all provisions of the

statute when transporting students at public expense or when contracting for student transportation.²

The statute also enjoins school divisions to insure all school vehicles for at least fifty thousand dollars for injury, including death, to one person, two hundred thousand dollars for injury, including death, to all persons injured in any one accident, and ten thousand dollars for damage, including destruction, to the property of any person other than the insured; and, in addition, the policy of insurance shall provide for loss or damage caused by an uninsured motorist. A policy covering medical expense payment coverage in the amount of one thousand dollars must also be carried. This insurance is subject to normal state laws and is not required when pupils are transported by public carrier.³

§ 22-286 of the statute provides for the insurance of vehicles with less than ten regularly transported pupils. If a vehicle which is subject to this statute transports less than ten pupils, the insurance may be fifteen thousand dollars for injury, including death, to one person, fifty thousand dollars for injury, including death, to all persons in any one accident, and one thousand dollars for damage including destruction to property of any person except the insured.⁴

§ 22-287 directs school divisions to purchase insurance by August 1 and to notify the State Superintendent by August 10. Should they fail to do this, it is the duty of the Superintendent of Public Instruction to purchase school bus insurance from funds which would normally be distributed to the district that is negligent.⁵

The statute mandates that any insurance policy purchased by a school board must contain the following coverage:

(1) Injury, including death, to school pupils and personnel, except the driver when not a pupil, riding as passengers on any of the vehicles so insured when used to transport such persons at public expense; pupils and personnel shall include school bus patrolmen when performing duties either in or outside of the bus as prescribed by the State Board of Education;

(2) Injury, including death, to any persons not passengers on any such vehicle;

(3) Damage, including destruction, to property of any person, other than the insured.⁶

When school vehicles are involved in an accident, governmental immunity for school divisions is waived through § 22-290, but when school vehicles are involved in an accident, the financial limits of the insurance policy are the maximum amount that a plaintiff, or plaintiffs, may collect. In no event shall school funds be used to pay any claim or judgment. Although the school board may be sued, no school board member may be held personally liable under this statute.⁷

No funds shall be distributed to a school division until the State Superintendent has been furnished with satisfactory assurance that all vehicles required to be insured are duly covered.⁸ If the vehicle insurance lapses and vehicles are still in use, funds will be withheld until the school division complies with the terms of the article.⁹

Pensions and Retirement

Title 51 of the Virginia Code contains the provisions for pensions and retirement insurance. § 51-112 accords the governing body of each county, city, and town the right to establish a system of pensions. It also allows these bodies to purchase insurance and annuities to provide for such pensions which may include death benefits, group life insurance, and group accident or sickness coverage. A fund for this purpose may be established by taking appropriations out of the treasury of the county, city, or town or by requiring contributions which may be by payroll deduction.¹⁰ By virtue of § 15.1-522, school employees are eligible for coverage under hospitalization insurance plans provided by counties for their officers and employees.¹¹

Liability Insurance for Officers and Employees

The legal provisions for liability insurance for officers and employees are contained in § 15.1-506.1 of The Virginia Code which establishes the right of a board of county supervisors or school board to provide liability insurance or self insurance for certain or all of its officers and employees to cover the costs and expenses incident to liability, including those for settlement, in the discharge of their duties.¹²

Other Miscellaneous Provisions for Insurance

There are other statutes which affect insurance provisions in the public school divisions of Virginia. § 22-114 of the Virginia Code

requires school divisions to insure those school buildings which have been constructed using funds borrowed from the Literary Fund.¹³

The governance and administration of insurance and insurance companies is delegated to the State Corporation Commission, Bureau of Insurance under the provisions of § 65-99 which also establishes the responsibility of the Bureau of Insurance to make recommendations to the General Assembly to regulate insurance.¹⁴

2. Tort Liability and Governmental Immunity

Liability in General

Each individual has certain personal rights with respect to the conduct he may expect from others. Some of these rights are a result of executed contracts and if one party fails to perform (i.e., breaches) his contractual obligation, a court may hold him financially liable for breach of contract.¹⁵

However, each individual has certain personal rights, such as freedom from personal injury and security of life, liberty, and property, which are not a result of contract. The law imposes a duty and responsibility on each individual to respect these non-contractual rights of others. If one breaches this duty and responsibility by speech or otherwise and damages or injures another individual, a tort has been committed and one may be held financially liable for one's actions.¹⁶

Tort Liability

A tort is a civil wrong not involving contracts. The term is applied to a variety of situations where one suffers loss due to the improper (but noncriminal) conduct of another. Courts will hold those who commit torts liable in damages to those injured. The most common tort is that of negligence.¹⁷ Negligence is an unintentional tort.

According to Alexander:

. . . where an individual is injured by another party although the action of the second party is neither intended nor anticipated if a reasonable man could have anticipated the harmful results and taken measures to prevent the injury if such action is not taken that results in injury to another party, this is classified as negligence.¹⁸

To have a valid cause of action for negligence, certain prerequisites must exist. The necessary elements are frequently summarized into four categories: (1) a duty on the part of the actor to protect others against unreasonable risks, (2) a failure on the part of the actor to exercise a standard of care commensurate with the risks involved, (3) the conduct of the actor must be the proximate cause or legal cause of the injury--a causal connection must exist between the act and the resulting injury, and (4) injury, actual loss or damage must result from the act.¹⁹

Governmental Immunity in the United States

Each year a number of cases are brought by children and other persons seeking damages for alleged negligent acts of school districts, their officers, employees, or agents. The injured child or plaintiff is usually seeking monetary damage, and the legal actions brought are

of a civil or private nature. These lawsuits or alleged wrongful actions by the school district are called actions in tort, or, a violation of the duty owed to the plaintiff by the school division.

However, the plaintiff has a high probability of finding his case confounded in an abyss of legal complexity because "the rule is well established that school districts are not liable for the negligence of their officers, agents, or servants while acting in a governmental capacity in the absence of a statute expressly imposing such liability."²⁰ This rule is sometimes referred to as the doctrine of non-liability of governmental bodies for their torts, or, governmental immunity from tort liability. Based on this rule, a board of education, in many cases, cannot compensate a person for injuries received as a result of school district negligence, even if the board wants to pay the damage.

The basic result is a conflict between the rights of the individual, who may be a pupil, school employee, or a person not connected with the school district, and the legal rights of the school district.²¹ Non-liability has been viewed as repugnant to the basic democratic ideals of the nation since the injured party has no legal redress for injury and the school board is not held accountable for any negligent action.

"All of the paths leading to the origin of governmental immunity converge on Russell v. The Men of Devon (1788)," quoted the Minnesota Supreme Court in a discussion of the Spanel case which retrospectively abrogated governmental immunity in that state.²² In the

Russell case, the plaintiff sued all of the male inhabitants of the County of Devon, in England, for damages occurring to his wagon by reason of a bridge being out of repair. It was apparently undisputed that the county had a duty to maintain such structures. But the court held that the plaintiff could not be awarded damages even though the county had a duty to maintain the structure. The court gave the following reasons for finding for the defendant:

- A. to permit it would lead to "an infinity of action,"
- B. there was no precedent for attempting such a suit,
- C. only the legislature should impose liability of this kind,
- D. even if defendants are to be considered a corporation or quasi-corporation, there is no fund out of which to satisfy the claim,
- E. neither law nor reason supports the action,
- F. there is a strong presumption that what has never been done cannot be done, and

G. although there is a legal principle which permits a remedy for every injury resulting from the neglect of another, a more applicable principle is "it is better that an individual should sustain an injury that the public should suffer an inconvenience."²³

Tort immunity came to the United States in 1812 in the case of Mower v. Leicester. Mower's horse stepped in a hole and was killed. The plaintiff argued that the Russell case should not apply because, whereas the County of Devon was not incorporated, the town of Leicester was incorporated and had a treasury out of which to satisfy the judgment. However, the Massachusetts court granted immunity, holding that

the town had no notice of the defect and that quasi-corporations are not liable for such neglect under the common law.²⁴

To hold a school board liable, unless immunity has been abrogated by the court, there must be a statute expressly making it liable, and a statute providing that a school district may sue and be sued does not overcome the common law immunity. A state legislature may, of course, abrogate the common law immunity of school districts for accidents growing out of the negligence of their officers or employees, but it must do so in clear and express terms.²⁵

A number of United States courts have expressed dissatisfaction with the doctrine of non-liability. The Supreme Court of Kansas stated:

. . . it (nonliability) is a long and well established principle, and the courts take the position that if it is to be changed, the legislature should do it. The Supreme Court of Kansas has expressed the view apparently entertained by most courts: "If the doctrine of state immunity in tort survives by virtue of antiquity alone, it is an historical anachronism . . . and works injustice to everybody concerned" . . . the Legislature should abrogate it. But the legislature must make the change in policy, not the courts.²⁶

There are two major areas in which the courts have generally shown special concern. These are discretionary vs. ministerial and proprietary vs. governmental functions.

Discretionary vs. Ministerial. Whenever a public officer or school official is authorized or required by law to use discretion and act in a certain manner, these acts are discretionary, and as long as the officer or official acts honestly and in good faith he cannot be held liable for an error in judgment regardless of the magnitude of the error.²⁷

When a public officer performs a duty which does not necessitate the use of judgment or discretion, the duty is ministerial. A public officer or school official is liable to third persons for injuries sustained because of failure to perform ministerial acts or perform them properly.²⁸

Proprietary vs. Governmental Functions. Most courts have taken the position that school districts are created for the purpose of performing a governmental function and that, while acting within the scope of their authority, they cannot engage in a proprietary or public function.²⁹ A number of courts have indicated the test that should be applied in determining whether a particular activity engaged in by a school district is a purely governmental or is a proprietary function, is whether the act is for the common good of all or without the element of special corporate benefit or pecuniary profit.³⁰

The courts have uniformly held that a function carried on by a board of education does not become classified as proprietary merely because it yields some pecuniary profit but when it is clear that it is outside its designated governmental purpose or functions it will lose its immunity.³¹ For example, in a New Hampshire case, when a town rented the third floor of a school building to a lodge and kept the rest of the building for use as a schoolhouse, it was the legal obligation of the town to keep the premises reasonably safe or be held liable for tort.³²

The Civil Rights Act of 1871. The most recent development in public liability is the increasing number of law suits brought against school officials under Title 42, United States Code #1983 of the Civil Rights Act of 1871 which reads as follows:

Every person who, under color of any statute, ordinance, regulation, custom or usage, of any State or Territory, subjects, or causes to be subjected, any citizen of the United States or other person within the jurisdiction thereof to the deprivation of any rights, privileges or immunities secured by the Constitution and laws, shall be liable to the party injured in an action at law, suit in equity, or other proper proceeding for redress.³³

By operation of this section, students or teachers who claim deprivation of a constitutional or statutory right often invoke federal jurisdiction and, in effect, have the federal court pass on the matter. This statute has served as a basis for a great number of recent court cases. During the years 1973 and 1974, there were 433 adjudicated lawsuits involving institutions of higher education, their boards and/or their administrators, an increase of some 150 percent over the preceding two years.³⁴ In 1975 the Supreme Court handed down two decisions, Goss v. Lopez and Wood v. Strickland, which will have an impact upon all school personnel for many years into the future, and which may well further increase the number of personal lawsuits.

In Goss v. Lopez, the Court established the fact that ". . . students . . . facing temporary suspension . . . have property and liability interests that qualify for protection under the Due Process Clause of the Fourteenth Amendment" ³⁵

In Wood v. Strickland the Court said, ". . . while on the basis of . . . tradition and public policy, school officials are entitled to

a qualified good faith immunity from liability . . . they are not immune . . . if they knew or reasonably should have known that the action they took . . . would violate the constitutional rights of the student affected"36 One may read student to mean persons, whether student, faculty member, or non-certificated employee. Although the law as it pertains to the civil rights act is not yet clear, recent court cases indicate that school officials must take care to remain within their discretionary powers and not violate the rights of others or be held personally liable for damages.

School officials, nationwide, in planning for liability insurance, must be aware of the federal court decisions which have stemmed from the Civil Rights Act of 1871, and the accelerating trend of the states toward abrogation of governmental immunity for school districts through legislation and judicial action.³⁷ When this year's college senior was enrolled in kindergarten there wasn't a state in the union that allowed its school districts to be sued for negligence. Today, half the states have abrogated the immunity doctrine--either through legislative act or judicial decree.³⁸

Governmental Immunity in Virginia

Since the earliest days of tort litigation, the Virginia Supreme Court of appeals has generally adhered to the premise that legal responsibility follows negligence and to respondeat superior, a master is liable, in certain cases, for the acts of his servants. In 1867, the Virginia Court, in its landmark decision respecting governmental tort immunity, laid down a decision which has led to the creation of

a number of tort immunities. The Virginia Court, like those of many other states, extended immunity in tort to the state itself and to its agencies, and created an intricate distinction between proprietary and governmental functions. In Virginia, the rules of immunity are of judicial origin.

The question of a Virginia school board's immunity from suit was squarely presented for the first time in 1960.⁴⁰ This case, the landmark case, and other cases which have contributed significantly to tort immunity in Virginia are reviewed below.

Richmond v. Longs Administrators. A slave named Ben, admitted to a municipal hospital for treatment of smallpox, delirious with disease, escaped through a window because of the negligent supervision of hospital personnel and died of exposure. The court ruled that respondeat superior did not apply in the case of municipal hospitals engaged in the performance of their governmental functions. The court stated: "Their immunity from all liability for the misconduct, negligence, and omissions of their subordinates, rests upon motives of public policy, the necessities of public service, and the perplexities and embarrassments of a contrary doctrine."⁴¹

Sayers v. Bullar. Plaintiff instituted his action against the State of Virginia to recover damages alleged to have been sustained as a result of certain explosions set off in the construction of a water pipe line for the State of Virginia.

The court, in its first written opinion, held that

. . . the action amounted to one against the State because the acts charged against the employees admittedly were the acts of the State and it could not be sued without its consent. Section 2578 to 2583 of the Virginia Code provide the only cases and the procedure in which action may be maintained against the State.

In Virginia there is no statute which gives a right to anyone to sue the State for tort. The court concluded that the immunity of the State from actions for tort extends to State agents and employees where they are acting legally and within the scope of their employment, but if they exceed their authority and go beyond the sphere of their employment, or if they step aside from it, they do not enjoy such immunity when they are sued by a party who has suffered injury by their negligence.⁴²

Elder v. Holland. Elder brought action against Holland for common law defamation and under the insulting-words statute. The Court concluded that a State employee may be held liable for negligent conduct and an intentional tort for defamatory words spoken while performing his duties as a State police officer.⁴³

Kellam v. School Board of the City of Norfolk. Plaintiff was injured when she slipped and fell while attending a concert in the auditorium of the school building. Plaintiff brought action to recover damages, basing her claim on the premise that the district had leased the building for non-governmental or proprietary purposes and, therefore, was negligent.

The court ruled in favor of the school district invoking the common law of immunity. To the plaintiff's contention that the school

district had leased the building for a non-governmental function, the court said that the State authorized the board to permit the use of its property as it deemed proper, therefore the board was acting in a governmental and not a proprietary capacity when it leased the auditorium.⁴⁴

Crabbe v. Northumberland County School Board. Plaintiff, a minor, received injury to his hand while operating a power saw as a regularly enrolled student. The Supreme Court of Virginia ruled that in the operation of schools, the school board acts as a governmental agency which, in absence of statute, is immune from liability for tortious personal injury negligently inflicted and that permitting schools to buy insurance for the operation of school buses does not constitute waiver of governmental immunity of the school board for liability. The court also pointed out that there is no requirement that the school board provide liability insurance covering activities other than operation of vehicles used for transportation of school pupils and personnel. The court held that governmental immunity of the school board does not extend to employees of the school board. These employees can be held personally liable.⁴⁵

Nickell v. Westervelt. Action was brought against a physician, and others for wrongful death of a patient. The District Court judge stated:

. . . A state employee may be liable for his conduct while performing work for the State if his conduct is wrongful. The true rule would seem to require proof (and allegation) of some act done by the employee outside the scope of his authority or

of some act within the scope of his authority but performed so negligently that it can be said that its negligent performance takes him who did it outside the protection of his employment.⁴⁶

Lawhorne v. Harlan. Lawhorne received a severe blow to his head and was taken to the hospital emergency room where he was treated by an intern and released. X-rays revealed that he had sustained a fractured skull, but agents of the hospital advised his mother, who accompanied him to the hospital, that "there was nothing seriously wrong." His condition subsequently worsened and he returned to the hospital where he died. Lawhorne's personal representative then brought a wrongful death action against the intern and against the other hospital officials for negligence in diagnosing and treating Lawhorne's wound.

In affirming the trial court's ruling, the Virginia Supreme Court held that a hospital, which is the organ of the state, is immune from liability in tort and that this cloak of sovereign immunity extends "to an employee of the State or one of its agencies who performs supervisory functions or exercises discretionary judgment within the scope of his employment." The court held that all of the defendants were entitled to sovereign immunity protection because they were exercising discretion in judgment: their acts were that of the Commonwealth.⁴⁷

Jones v. Dinwiddie County School Board. A white Virginia public school teacher brought action against the Dinwiddie County School Board. She claimed that her employment was terminated because

she voluntarily participated in desegregation and the school board's refusal to extend her teaching contract following the 1970-71 school year was racially motivated.

The court ruled that county school boards are not "persons" within the meaning of § 1983 and are not proper defendants in a suit under that statute. The court also stated: "For § 1983 purposes, the court can perceive no distinction in principle between a county school board and the persons in their official capacity of whom it is comprised."⁴⁸

Leathers v. Serrell. The plaintiff had come to the State University Hospital to visit her brother. Upon being informed that he had died, she became upset and consented to an injected sedative. The injection was ordered by the defendant intern and was given by the defendant nurse. In the plaintiff's suit to recover for damages to her arm allegedly resulting from the negligent administration of the injection, both defendants interposed the sovereign immunity of the State as a bar to the action. The court held that there was no basis for sovereign immunity finding that the intern's act was ultra vires because the ambit of his duty was confined by statute to the treatment of bona fide patients of the hospital and that the nurse's act was ministerial rather than discretionary. The court noted that the ministerial/discretionary distinction is not always clear but held that the act of administering an injection seemed "much less of a discretionary act than the action of the schoolteacher in Crabbe v. County School Board."⁴⁹

Opinions of the Attorney General

The Attorney General, in accordance with the provisions of § 2.1-128, Code of Virginia of 1950, renders official opinions which are helpful in promoting uniformity in the construction of the laws of Virginia and which also help to clarify state laws.⁵⁰ Those opinions rendered from 1950 to the present which are most pertinent to public school insurance are reviewed in this section.

Counties--Carrying workmen's compensation and liability insurance. In response to a request for clarification concerning the need for General or Public Liability, and Fire Insurance, the Attorney General indicated that:

1. A county is immune from suit on account of acts of negligence of its employees. Therefore, the question of whether or not a county should carry liability insurance against acts of negligence on the part of its employees is a matter of policy. Where such insurance is carried it is more for the protection of the individual employees and the public generally than it is for the protection of the county.

2. The choice of whether or not to carry fire or liability insurance is strictly a decision for individual counties to make.⁵¹

School Board--May pay premiums for liability insurance covering their employees. The Superintendent of Public Instruction requested an opinion to these two questions:

1. Is there any liability on the part of the school board employees in connection with the injury of pupils who participate in

school activities, either during school hours or after school hours?

2. Is it legal for the school board to pay the premium for such blanket insurance policy if there is no legal liability on the board?

The response to question one was that a negligent act by an employee of the school board would result in the employee being personally liable. In reference to number two, the attorney general stated:

This office has previously ruled that State agencies have the authority to pay premiums for liability insurance covering their employees on the theory that such insurance is in the interest of the public. I am of the opinion that such rulings are not applicable to local school boards and therefore . . . I do not think that this office should comment on the type of insurance to be obtained. This is a matter of policy to be determined by the local school board.⁵²

School Boards--Immunity from liability for tort--renting auditorium may be non-governmental--Boards authorized to carry liability insurance. An opinion was requested concerning liability to the school board under the following conditions:

1. Liabilities from any injuries to spectators from the collapse of bleachers.
2. Liability when the school is used by outside groups.
3. Liability which might occur as the result of a concession stand run by the Band Parents Association at football games.

The Attorney General responded that it was a well established principle that the State is immune from the tortious acts of its agents and employees and that this immunity extends to county school boards.

This immunity does not shield agents or officers of the district from personal liability when they act in a negligent manner. The Attorney General was somewhat dubious of the renting of the auditorium, asserting "this might be construed as a non-governmental function and consequently the immunity of the State might not protect the school board should an accident or injury occur," and recommended requiring the renter to carry insurance in the event the board did not do so. He further stated that the liability of the school board for the concession stand is determined by the contractual relationship between the Board and the Band Parents Association and that adequate insurance be obtained to protect both parties.⁵³

Torts--Not authorized to purchase liability insurance. The Board of Supervisors for Surry County, because of the risk involved in maintaining a radio tower, requested an opinion as to whether or not the payment of premiums on a liability policy would be a proper expenditure of public funds.

The Attorney General referred to § 15.1-506.1 which provides the opportunity for counties with a population of over two hundred forty thousand inhabitants to provide liability insurance or self insurance. Since the county seeking advice did not come under this stipulation, premium payment would be unlawful unless specifically authorized by the General Assembly. (§ 15.1-506.1 was later amended to permit all counties to purchase liability insurance.)⁵⁴

School Boards--Liability insurance to cover officers and employees of county school boards authorized by § 15.1-506.1. The purchase of liability insurance would not in any way constitute a waiver of the doctrine of sovereign immunity but the Board of County Supervisors of any county may provide liability insurance or may provide self-insurance.

While the General Assembly has given school boards the authority to provide for the necessary insurance, it has not authorized self-insurance in regard to school properties. While a school board may self-insure for liability from the negligent acts of school board officers or employees, no authority, statutory or otherwise, empowers the school board to set aside a monetary amount annually which would not be returned to the county's general fund.⁵⁵

School Boards--Liability insurance policy insuring board and members for actions connected with duties. If the liability of a school board member arose out of his actions in connection with his duties or if the liability were that of the school board, one thousand dollars of a one thousand dollar deductible liability insurance policy could be paid out of funds provided by the County Board of Supervisors.⁵⁶

Schools--Sovereign Immunity--Extent to which available to school employees alleged to have acted negligently. Cited Lawhorne v. Harlan⁵⁷ and stated that an employee who performs duties which do not involve judgment or discretion, but which are purely ministerial, is liable for injury which results from his negligence and sovereign

immunity does not protect such a person who commits an intentional tort or one whose act is so negligent as to take him outside the scope of his employment.⁵⁸

The Attorney General stated:

Depending on the facts of a particular case, questions may arise as to the extent to which sovereign immunity is available to school employees who allegedly have acted negligently. In the case of a student who had an accident while driving his car to or from school, two factors make it difficult to establish any liability on the part of a school employee. It would be necessary to establish that the employee had a duty toward the student; and it would be necessary to show that the proximate cause of the accident was the result of the negligence in the performance of a ministerial act. Should an employee, however, fail to perform a ministerial obligation . . . the oversight might raise a justifiable issue in a suit against the employee.⁵⁹

Summary

An examination of the related literature, state statutes, court cases, and Opinions of the Attorney General revealed the following were the legal conditions affecting insurance provisions in Virginia's public school divisions:

1. School boards have the authority to provide necessary insurance.
2. The choice of whether or not to carry fire or liability insurance is a decision for each school division to make.
3. The purchase of liability insurance does not constitute a waiver of governmental immunity.
4. School boards may provide self-insurance for liability but not property.

5. School boards have the authority to establish a system of pensions.
6. School boards have the authority to employ counsel to represent them in tort actions.
7. Workmen's Compensation is mandated in Virginia.
8. School boards are required to purchase school bus insurance within the limits of state statute.
9. Funds may be withheld from school divisions by the Superintendent of Public Instruction if school boards do not secure school bus insurance.
10. In situations involving school buses, governmental immunity is waived up to the financial limits of the statute.
11. The doctrine of governmental immunity or nonliability continues to be enforced in Virginia.
12. Schools must exercise care in performing functions which are truly governmental and not proprietary.
13. When performing activities that may be considered as proprietary, school boards should provide or insist on adequate insurance coverage for the activity.
14. Officers and employees of school boards may be held personally liable for negligent acts.
15. Employees performing duties which are purely ministerial may be held liable for negligence and will not be protected by governmental immunity.

16. Failure to perform a ministerial act may raise a justifiable issue in a suit against the employee.

17. The ministerial/discretionary distinction is not always clear.

18. Employees who perform functions beyond the scope of their employment may be held liable for negligent acts.

19. Employees or school officers who commit intentional torts may be held liable.

20. There is a rising number of lawsuits involving the concept of tort liability.

21. County school boards are not "persons" under § 1983 of the Civil Rights Act of 1871.

22. Nationwide, states continue to abrogate governmental immunity either by statute or through the courts.

FOOTNOTES--CHAPTER III

- ¹Virginia Code Annotated 22-272.
- ²Virginia Code Annotated 22-284.
- ³Virginia Code Annotated 22-285.
- ⁴Virginia Code Annotated 22-286.
- ⁵Virginia Code Annotated 22-287.
- ⁶Virginia Code Annotated 22-288.
- ⁷Virginia Code Annotated 22-290.
- ⁸Virginia Code Annotated 22-293.
- ⁹Virginia Code Annotated 22-292.
- ¹⁰Virginia Code Annotated 15.1-112.
- ¹¹Virginia Code Annotated 15.1-522.
- ¹²Virginia Code Annotated 15.1-506.1. As amended 1976.
- ¹³Virginia Code Annotated 22-114.
- ¹⁴Virginia, State Corporation Commission, Bureau of Insurance, Insurance and Related Laws of Virginia (Charlottesville, Va.: The Michie Company, 1967), pp. 71-72.
- ¹⁵Kern Alexander et al., Public School Law (St. Paul: West Publishing Company, 1969), p. 324.
- ¹⁶Ibid.
- ¹⁷E. Edmond Reutter, Jr., and Robert R. Hamilton, The Law of Public Education (Mineola, N.Y.: Foundation Press, Inc., 1976), p. 272.
- ¹⁸Ruth Alexander, and Kern Alexander, Teachers and Torts (Middletown: Maxwell Publishing Company, n.d.), pp. 3-7.
- ¹⁹Ibid.
- ²⁰Corbean v. Xenia City Board of Education, 366 F 2d 480 (1966).

- ²¹William Knaak, School District Tort Liability in the 70's (St. Paul: Morris Publishing Co., 1969), p. 2.
- ²²Spanel v. Mounds View School District, 118 N.W. 2d 795, Minn. (1962).
- ²³Knaak, op. cit., p. 6.
- ²⁴Mower v. The Inhabitants of Leicester, 9 Mass. Rep. 247 (1812).
- ²⁵Brooks v. One Motor Bus, etc. 190 S.C. 379, 3 S.E. 2d 42; Thompson v. Board of Education, 20 N.J. Super. 419, 90 A 2d 63.
- ²⁶McGraw v. Rural School District No. 1, 120 Kan. 413, Pac. 1038.
- ²⁷Newton Edwards, The Courts and the Public Schools (Chicago: The University of Chicago Press, 1971), p. 413.
- ²⁸Burton Machinery Company v. Ruth, A 186 S.W. 737.
- ²⁹Edwards, op. cit., p. 403.
- ³⁰Gunther v. Board of Road Commissioners of Cheboygan County, 225 Mich. 619, 196 N.W. 386.
- ³¹Daszkiewicz v. Board of Education of the City of Detroit, 301 Mich. 212, 3 N.W. 2d 71.
- ³²Douglas v. Hollis, 86 N.H. 578, 172 A 433.
- ³³M. David Alexander, "Liability of Administrators and Board Members (1871 Civil Rights Act)" (Speech presented at Workshop for Board Members, Superintendents and other Administrators in Southeast Virginia, Sponsored by the University of Virginia, Emporia, Virginia, April 24, 1974).
- ³⁴Memo, National Association of School Affiliates, 1901 Fort Myer Drive, Suite 1010, Arlington, Virginia.
- ³⁵Goss v. Lopez, 419 U.S. 565 (1975).
- ³⁶Wood v. Strickland, 420 U.S. 308 (1975).
- ³⁷M. David Alexander, op. cit.
- ³⁸H. C. Hudgins, Jr., "Tort Immunity for Schools Continues to Vanish," Nation's Schools, March 1974, 37.

³⁹James A. Eichner, "A Century of Tort Immunities in Virginia" University of Richmond Law Review, Spring 1970, 238.

⁴⁰202 Va. 252, 117, S.E., 2d 96 (1960).

⁴¹58 Va. 375 (1867).

⁴²180 Va. 222, 22 S.E., 2d 9 (1942).

⁴³208 Va. 15, 155 S.E., 2d 369 (1967).

⁴⁴Va. 117 S.E. 2d 96 (1965).

⁴⁵209 Va. 356, 164, S.E., 2d 639 (1968).

⁴⁶354 F. Supp. 111, (W.D. Va. 1973).

⁴⁷214 Va. 405, 200 S.E. 2d 569 (1973).

⁴⁸373 F. Supp. 1105 (E.D. Va. 1974).

⁴⁹376 F. Supp. 983 (W.D. Va. 1974).

⁵⁰Commonwealth of Virginia, "Opinion of the Attorney General and Report to the Governor of Virginia" (Richmond: Department of Purchases and Supplies, 1975), p. iii.

⁵¹Attorney General Opinion, Feb. 7, 1952.

⁵²Attorney General Opinion, July 18, 1952.

⁵³Attorney General Opinion, March 3, 1959. As amended 1976.

⁵⁴Attorney General Opinion, June 4, 1970.

⁵⁵Attorney General Opinion, June 4, 1970.

⁵⁶Attorney General Opinion, August 1974.

⁵⁷See Lawhorne, note 47, p. 111.

⁵⁸Attorney General Opinion, Feb. 17, 1975.

⁵⁹Attorney General Opinion, Feb. 17, 1975.

Chapter IV

CRITERIA FOR THE ADMINISTRATION OF THE RISK MANAGEMENT PROGRAM IN THE PUBLIC SCHOOL DIVISIONS OF VIRGINIA

The criteria proposed in this chapter were, in reality, a set of principles for administering the risk management program in the public school divisions of Virginia. These principles were selected for the following reasons.

1. They were validated in other states and national studies which were reviewed in the section, "Review of the Literature and Related Research Studies," and were proven in these other studies to be significant.

2. Specialists in the field of insurance in both industry and schools felt that these principles were essential in administering the risk management program.

3. They were logically sound when applied to school division risk management programs.

From the review of the related literature, it became apparent that a number of principles established in other state studies were of a common nature. Because of the similarity of these criteria, some were proposed to evaluate risk management practices in the public school divisions of Virginia. In addition, principles recommended by researchers and authorities in the field were utilized. The twenty-one proposed principles are presented.

Criterion 1

One school official shall be designated to assume the responsibility for the risk and insurance program.

Insuring school properties and personnel is a task of great importance and requires the attention of one school official. Linn and Joyner stated:

The first step in outlining a school insurance program calls for the appointment of the person or persons to whom is to be delegated the responsibility for the administration of the insurance plan in conformity with approved policies and procedures.¹

Jordan, in School Business Administration said:

If the program is to be administered properly and adequate coverage is to be maintained, some local school official must be designated as being responsible for keeping the nature of the insurance program and the coverages current. Rising construction costs, increases in the number and type of school facilities, and changes in the types of coverages available to schools are among the factors which emphasize the importance of having an administrator responsible for the insurance program.²

Kent indicated, "Failure to make one school official responsible for handling school insurance affairs . . . [and] lack of technical advice, knowledge, and understanding on the part of school officials contributed to a defective and inadequate insurance program."³ Finchum recommended that local boards of education "place the responsibility for the entire insurance program in the hands of one school official."⁴

Criterion 2

The school official charged with the responsibility for risk management should have special training in risk management and insurance.

This training may come from workshops, special courses, meetings, or other activities where risk management is the topic of concern. School insurance is complicated and requires technical knowledge on the part of those administering the school insurance program. Learning this is a matter of study, practice, and performance.⁵

In Risk and Insurance, the authors blamed lack of knowledge on the part of the minor supervisory personnel in industry for the failures which occur in selling the risk management program.⁶ Jack Tanzman, in School Management, provided the following advice to school divisions:

The most important step a school district should take in connection with its insurance is to engage a thoroughly competent professional. Today a school district is operated like a big business, and developing insurance programs for school districts requires someone with a high degree of professional competence and an extensive knowledge of the field.⁷

Criterion 3

The school risk management official should establish and maintain up-to-date records of the school division's risk management program.

These records should include: (1) current valuation of school buildings, property, and equipment, (2) losses, claims, and premium amounts, (3) inspection dates, and (4) policy dates and coverages.⁸

The importance of records was emphasized by Jordan:

Appraisal records of each building and its equipment will be invaluable in case of loss. These records can facilitate the filing of claims and their settlement; if no records are available, the inventory of contents would have to be constructed from memory or unofficial lists.⁹

Cleveland recommended "complete inventories of building contents and records of building costs, renovation, etc., should be maintained."¹⁰

Woodall offered the following recommendations regarding fire insurance records.

1. All school districts should carefully inventory their present and plan their future insurance needs annually in the light of the best information and advice available.
2. Inventories of contents and equipment should be completed annually
3. The insurance premiums paid and the losses sustained for every school district . . . should be incorporated into the annual report of the Superintendent of Public Instruction.¹¹

In Practical Risk Management the author underscored the importance of keeping loss records:

Complete and well organized loss records are the basic tool of the risk manager. Without them, he is driven before the wind of circumstances--a mere onlooker to what is happening. With them, he can orchestrate and direct the interrelated components of loss prevention, claims administration, and insurance.¹²

Criterion 4

The individual responsible for the risk management program should have a knowledge of the legal requirements for insurance in the state of Virginia.

Another factor which may play a part in determining the amounts and types of insurance coverage which should be carried by local school divisions is that of legal requirements. Provisions of the State Constitution, laws enacted by the legislature, regulations of the State Board of Education, and sometimes ordinances and regulatory measures of local governing bodies may make the purchasing of certain types of insurance mandatory.¹³

Allen warned school divisions:

It is imperative that the school administrator be familiar with the legal requirements in his particular state and community in order to make certain that the insurance program of the district conforms to law, and particularly to the current law.¹⁴

Criterion 5

Necessary forms and standard procedures for reporting accidents, as well as liability and property losses, should be established and maintained by the individual responsible for the risk management program.

Insurance contracts impose certain obligations upon the insured following a loss. Failure to meet these obligations may prevent the insured from recovering on what is otherwise a valid claim.¹⁵ When an accident or loss occurs, written notice shall be given by or on behalf of the insured to the company or any of its authorized agents as soon as practicable. Such notice shall contain particulars sufficient to identify the insured and also reasonably obtainable information respecting the time, place, and circumstance of the loss.¹⁶ Allen cautioned school divisions:

. . . although much help and guidance is available from the adjuster in the preparation of the proper claim, he should not be expected to perfect the claim on behalf of the district. The adequacy of the presented claim is the sole responsibility of the school administrator.¹⁷

Criterion 6

All insurance policies should be checked for accuracy and concurrency by the individual responsible for the risk management program.

In view of the fact that much property is underinsured, it is recommended that each school check its insurance coverage to see if it is adequate and, if not, to make the necessary changes in the coverage.¹⁸ Finchum stressed the importance of checking all policies for concurrency and accuracy of property description.¹⁹ Salmon found that "Concurrency of insurance policies should be checked by both

the servicing insurance agent or broker and the school district's business official."²⁰

Criterion 7

The Board of Education should establish a broad policy to serve as the guideline for the school insurance official in managing the school division insurance program.

Allen stated:

There must be specific regulations or a statement of adopted policy that describes the insurance program of the district. It is a function of the governing board to formulate policy and to adopt the rules under which the business official will administer the program.²¹

Mehr and Hedges stressed that rules for risk management must be established and maintained by management.²² Schaerer recommended a statement of purpose for the program outlining the coverages which are mandatory and those which are optional, and the means of procuring and distributing the insurance business of the district. The statement should be clear, concise, and must be reviewed periodically for updating and revision.²³

In Risk Management, Gary J. Bausom summarized the advantages of a written risk management policy:

1. It gives the risk manager a basis for his authority in making various risk management decisions.
2. It sets out the responsibility of risk management to other personnel within the organization.
3. It educates management at all levels on what types of information should be funneled into the risk management department.
4. It establishes the need for the risk management department to study risk of all operations of the firm.
5. It gives the risk manager the mandate to advise management on such matters as coverages, deductibles, and cost allocations of risk financing, etc.²⁴

Criterion 8

The school division's risk management program should be reviewed annually.

One of the most important items often overlooked by management is the dynamic nature of risk management. It is in the best interest of every school board to review its insurance program annually.²⁵

Finchum and Viles observed:

Program review, periodic or continuing, will probably be essential in the various school districts. Values change, risks change, and sometimes rates change. Also, additional coverages may be required from time to time. A program review of the school district's insurance program, therefore, may be quite as important as any other phase of administering the program.²⁶

Allen wrote, "Risk management programs must constantly be revised and updated," because:

1. Rate trends and fluctuations affect the cost and perhaps even the coverage advisable for the district to purchase.
2. Legislation, both mandatory and permissive, is constantly changing and bears heavily on the district's insurance program.
3. New forms that better fit the needs of the district are constantly being developed.²⁷

Criterion 9

Building planning, alterations, and maintenance should be carried out with property protection and safety a prime concern.

Architects and contractors are not insurance experts. Plans for construction, location of facilities, and other factors may be sound educationally but, at the same time, result in higher insurance rates. Some lack fire protection, and facilities may present an attractive nuisance, such as an outdoor pond or pool, or have another type

of risk or hazard. Proper instruction to the architect, planned inspections by building departments, and proper inspections by qualified district personnel could reduce or remove these risks during the time the building is being planned and constructed.²⁸ An example of such planning could be the installation of sprinkler systems in vulnerable areas which could prove to be preventive and loss reducing to the district.²⁹

Criterion 10

Fire, safety, and hazard inspections of the school division should be conducted by qualified division personnel at least three times a year.

Management in business and industry recognized that an inspection program is the first step toward risk-loss control.³⁰ Salmon identified the following to be desirable insurance practices related to inspections:

1. Regular inspections of all facilities should be conducted on a regular basis.
2. Regular inspections should be carried out by (a) personnel assigned to the site as a regular base of operation, (b) personnel from the district's central office, (c) representatives of the insurance industry, and/or (d) fire department officials.
3. Inspections should be scheduled at least every four months, but preferably on a monthly and quarterly basis, as recommended by the National Board of Fire Underwriters.³¹

Howard found from state and national studies that "inspections are needed at least every four months."³² Jordan recommended,

. . . inspection routine provide at least three detailed inspections per year--one immediately prior to opening of school, one midway during the school year, and one immediately after the closing of the school, since the inspection program provides one of the best preventive measures against the possibility of loss of school time or damage to school facilities as a result of fire or disaster.³³

Criterion 11

The school division should establish and maintain an educational program of loss prevention and safety.

This program should include (a) workshops and inservice programs aimed at promoting safety, (b) teachers' meetings devoted to the topic of loss prevention, hazard recognition, and safety, and (c) student safety assemblies.³⁴

One of the alternatives school boards must utilize is reduction of risk. This is desirable because it lessens the chances of injury to students and staff, and often results in lowered insurance rates. Any school board that practices risk reduction is adhering to a tenet of good management.³⁵

In the Texas Study the following summary concerning risk prevention was offered:

Prevention is the positive approach. Each school should designate a person to be responsible for safety. A sum of money is more wisely spent to prevent a catastrophe than to pay for one. Safety education and accident prevention as a definite part of the administrative process are more important than insurance. Experience in private enterprise shows that the cost of safety engineers is more than paid for through preventive measures. School districts, with buildings and grounds as large as any in the community and more personnel (including children and employees) than any other private or public agency, cannot afford to remain indifferent to safety and accident prevention.³⁶

Criterion 12

A driver training program which includes a periodic check of all drivers and operators of school district vehicles should be established and maintained.

Culp, in his excellent treatise, An Administrator's Handbook of School Transportation, has devoted an entire chapter to the topic

"Safe Operation of School Buses." He made many excellent suggestions in the following areas: (1) Speed and Traffic Control, (2) Loading and Unloading Procedures, (3) Road Emergencies, and (4) Discipline, and recommended that schools establish and maintain formal, periodic, training programs to acquaint drivers with the safety measures and procedures to be followed in these areas.³⁸

Allen recommended carefully drawn procedures to hire competent drivers with proper safety attitudes. Constant training must be given, and should include information as to the type of incidents for which the driver and the district may be held liable. In addition, the school division should pay special attention to certain aspects of safe operation of school buses. These are rules for:

1. speed and control,
2. pupil conduct,
3. malfunction of equipment,
4. loading and unloading students, and
5. emergency procedures.³⁹

Business and industry have established such programs. Mr. Gordon Wagner, developer of a program in defensive driving, originated programs for companies such as the Yellow Cab Company in Cleveland, Ohio, and the Chicago Transit System, and has been employed to retrain drivers in the city of Cleveland who are fined for a major traffic violation or have been cited more than one time.⁴⁰

Criterion 13

A risk analysis program should be operable which will analyze potential loss of property, damage to property, and liability responsibility of the school division.

The compilation of data, while a vital part of the risk management process, is only a start. It must be analyzed to determine the extent of its financial implications. Once exposures have been identified, they must then be evaluated to see which are significant and which are of no consequence.⁴¹ According to Pfaffle:

Insurance protects a district's assets and income from losses due to various perils. This can only be accomplished by a comprehensive evaluation of risks to which the school board is exposed, together with a review of the history of the frequency and severity of both insured and uninsured losses. Only after such a review can a district decide what insurance should be provided or if insurance is to be provided at all.⁴²

Edward W. Siver in Risk Management advised risk managers to "first determine what the maximum loss that can be sustained from a single fortuitous occurrence is." This must be done by analyzing each risk.⁴³

H. Felix Kloman, President of Risk Planners Group, Inc., a consulting firm, suggested:

An institution must analyze its total exposure to risk, look at its losses over the past three to five years, and break them down as to size and cause. They must then identify those which can be controlled and those which cannot. The next step in risk management is to make a fresh analysis of the institution's exposure to loss. This means identifying those perils that would have a significant impact on the assets of the firm, based on the exposure to loss. Risks must be analyzed and minimized when possible.⁴⁴

Criterion 14

The financial strength and qualifications of companies selected should be determined by use of Best's, Spectator's, or similar ratings.

The financial rating of insurance companies and the services they offer are most important considerations when purchasing insurance.⁴⁶ Salmon identified the following as desirable practices to use in selecting an insurance carrier:

1. In the selection of an insurance firm with which to place insurance, school divisions should require not less than the minimum management and financial strength criteria, as given in Best's Insurance Guide.

2. In determining the financial strength of insurance companies, districts would do well to make use of criteria published in the Spectator, or to consult the analyses of financial statements filed with the State Insurance Commissioner.

3. In selecting the type of insurance company with which to place insurance, public school districts should take into account

- (a) the quality of service rendered
- (b) the financial strength and management characteristics of the company
- (c) the company's record of satisfactory settlement of loss claims, among other criteria.⁴⁷

Finchum and Viles also recommended criteria for selection:

When school officials purchase insurance protection, they should purchase the best for the money. Commercial rating systems like Best's and Spectator Co. prepare rating schedules for the various insurance companies showing their assets and giving their general ratings. These ratings are available for inspection when desired. In selecting the insurance carrier it is well to remember that the business of the company should be national in scope; its assets should be highly diversified; its loss experience should be good; it should have ample capital, surplus, and voluntary reserves; and its surplus to policyholders should not be less than its unearned premium reserve. The company's management should be comprised of people of unquestioned ability and competency in managing insurance.⁴⁸

Criterion 15

Agents or brokers are selected on the basis of the skills and competencies needed by the school division.

In the Risk Management Manual the authors described a process of selecting agents or brokers:

One way is to enter into a contract with an agent or broker. The contract should spell out the nature of the services that will be performed, their cost, and the personnel that will be called upon to deliver the service. . . . Some companies have even sought to select their agent or broker on the basis of a rather complete questionnaire. The purpose of the questionnaire is to inform the agent what the company expects from the insurance professional and to elicit the skills and depth available to service the organization's account.⁴⁹

Criterion 16

Policies should be written on a term basis, three or five years.

A three year term rate is normally 2.7 times the one year rate. The five year rate is 4.4 times the one year rate, providing a significant savings over both the one and three year rates. It is therefore recommended that school insurance be purchased on a five year basis with one fifth of the coverage expiring on a common expiration date each year.⁵⁰

In this manner the yearly budgets for fire insurance will be the same each year. There are some carriers who will provide an annual payment policy and still allow the district the benefit of the longer-term reduced rate. Another method of taking advantage of the reduced rate for the longer term and still retaining an approximately equal annual expenditure is to stagger the policies so that approximately one-fifth of the total coverage expires each year. It is in this area

that premium costs may be minimized with no sacrifice to the extent or quality of the program.⁵¹

Criterion 17

School division property appraisals should be updated annually.

Appraisals should include new facilities and equipment and should take into consideration appreciation and depreciation of previous inventories. Allen stressed that the basis of adequate protection is an annual statement of values which includes building and contents for all of the school district's locations.⁵²

In Nation's Schools, Wilson pointed out "the ever-rising costs of building materials, labor, and equipment make it imperative that values be checked against the insurance carried, at least annually."⁵³ Guiles warned risk managers to pay special attention to lines 90 to 122 in the standard fire policy which spell out the responsibility of the insured when submitting a claim. For instance, the insured must furnish a complete inventory of the destroyed, damaged and undamaged property, showing in detail, quantities, costs, replacement/actual cash-value, and amount of loss claimed.⁵⁴

Criterion 18

School divisions should utilize the services of an independent commercial firm to appraise property at least once every ten years.

Appraisals should include the following:

1. all property (both land in use and unused),
2. buildings,

3. contents, furniture, educational equipment, extra curricular equipment, bleachers, boilers, educational supplies, extra-curricular supplies, etc.

4. monies and securities,

5. rolling stock,

6. storage buildings

7. garages, and

8. stadia.⁵⁵

Salmon and a jury of insurance experts agreed that commercial firm appraisals were one of the prime considerations in determining fire insurance needs.⁵⁶ Allen stated that if "the valuation is not kept up-to-date a serious under-insurance situation may develop."⁵⁷ Williams and Heins indicated that the cost of an outside appraisal is a wise investment because (1) an outside appraisal may provide a much more accurate basis for determining the proper amount of insurance than would otherwise be possible, and (2) it may simplify the preparation for loss adjustment.⁵⁸

In the New York State handbook, Insurance, the following opinion on appraisals was offered:

A certified appraisal, made by a commercial appraisal company is undoubtedly the most accurate and reliable appraisal. These companies employ trained specialists whose factual detailed reports eliminate guesswork from the determination of value. Their appraisals are usually supported by detailed descriptions of the buildings, and by lists of equipment and other contents which can be valuable in providing a Proof of Loss to the insurance company. Appraisal companies will furnish values on both buildings and contents, and ordinarily provide both actual cash value and replacement value figures. They also will offer expert testimony, if necessary, provide reports, and use standard procedures for updating the property listing and values at regular intervals.⁵⁹

Because of property value fluctuation, usage, and depreciation, a complete new appraisal is recommended after a period of 6 to 10 years.⁶⁰

Criterion 19

School facilities and property other than rolling stock should be insured at replacement value.

Vehicle insurance is written at replacement value in relation to the condition and age of the vehicle. Allen recommended that at least 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. The rate for this coverage is the same as the fire rate, and merely results in a greater amount of coverage at the same rate. It alleviates the problem of financing reconstruction when the replacement cost is considerably in excess of the insurable value, keeps premium costs at a minimum, and applies the insurance to the most likely risks where a substantial loss might occur and where a large amount of depreciation is involved.⁶¹

Guiles agreed that schools should insure division property at replacement value.

In order to cover personal property such as the furnishings and equipment that are in a building, as well as the building itself, schools should purchase insurance which will reimburse them on a replacement cost basis rather than an actual cost basis.⁶²

Wilson saw the school's new ability to purchase coverage for actual replacement cost as a tremendous boon to schools since total destruction of schools by fire, tornado, or explosion is not rare.⁶³

Criterion 20

All insurance should be purchased for the portion of the year it is necessary and cancelled for the remainder of the year.

If buses are used for carrying passengers only during the 10-month school term, the ordinary liability insurance can be written for the 10-month period pro rata of the annual premium. Coverage is provided during the summer months by a Repair and Testing endorsement.⁶⁴ Linn and Joyner strongly recommended including a clause which proportionally reduces the premium when protection is removed. This type of clause can be included in the insurance policy at the time of purchase and has been found to result in substantial reduction in cost.⁶⁵

Criterion 21

In purchasing insurance; deductibles, package plans, and blanket coverages should be considered.

Deductible insurance can provide substantial savings in the annual cost for fire insurance since claims expense may be reduced by eliminating small losses.⁶⁶ The blanket policy is an advantageous method of writing insurance for the following reasons:

1. The district definitely knows at all times that property at locations designated in the blanket is insured.

2. Removal of property from one building to another at the location designated in the blanket form is automatically covered.

3. The district has but one rate to use for the locations covered, and errors are not likely to occur when policies are being checked. With specific insurance, there are many individual rates on building and contents.⁶⁷

The principles were proposed for use to evaluate the risk management practices followed in the public school divisions of Virginia. The proposed criteria were as follows:

1. One school official shall be designated to assume the responsibility for the risk and insurance program.
2. The school official charged with the responsibility for risk management should have special training in risk management and insurance.
3. The school risk management official should establish and maintain up-to-date records of the school division's risk management program.
4. The individual responsible for the risk management program should have a knowledge of the legal requirements for insurance in the state of Virginia.
5. Necessary forms and standard procedures for reporting accidents, as well as liability and property losses, should be established and maintained by the individual responsible for the risk management program.
6. All insurance policies should be checked for accuracy and concurrency, by the individual responsible for the risk management program.
7. The Board of Education should establish a broad policy to serve as the guideline for the school insurance official in managing the school division insurance program.

8. The school division's risk management program should be reviewed annually.

9. Building, planning, alterations, and maintenance should be carried out with property protection and safety a prime concern.

10. Fire, safety, and hazard inspections of the school division should be conducted by qualified division personnel at least three times a year.

11. The school division should establish and maintain an educational program of loss prevention and safety.

12. A driver training program which includes a periodic check of all drivers and operators of school district vehicles should be established and maintained.

13. A risk analysis program should be operable which will analyze potential loss of property, damage to property, and liability responsibility of the school division.

14. The financial strength and qualifications of companies selected should be determined by use of Best's, Spectator's, or similar ratings.

15. Agents or brokers are selected on the basis of the skills and competencies needed by the school division.

16. Policies should be written on a term basis, three or five years.

17. School division property appraisals should be updated annually.

18. School divisions should utilize the services of an independent commercial firm to appraise property at least once every ten years.

19. School facilities and property other than rolling stock should be insured at replacement value.

20. All insurance should be purchased for the portion of the year it is necessary and cancelled for the remainder of the year.

21. In purchasing insurance; deductibles, package plans, and blanket policy coverages should be considered.

FOOTNOTES--CHAPTER IV

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Chapter V

DATA COLLECTION AND ANALYSIS

In this chapter, the data collected from the public school divisions of Virginia by means of the questionnaire are evaluated.

Development of the Instrument

The proposed criteria listed in Chapter IV were used as bases for developing a questionnaire. Twenty-one criteria were submitted to a panel of insurance specialists and the procedure described in Chapter I was carefully followed. Panel members were asked to judge criteria as being (1) logically sound when applied to school division risk management programs, and (2) essential to the success of the public school risk management program. As a result, fourteen of the twenty-one proposed criteria were found acceptable for use in the study. A list of the fourteen criteria used in the study may be seen in Appendix A.

The questionnaire was prepared by relating a question to each of the fourteen criteria. In addition, ten questions were added, whose purpose was to provide information about risk management and insurance in the public school divisions of Virginia. The first six of these questions were developed utilizing the proposed criteria that were not validated for use as criteria for sound risk management practices, but were deemed desirable for the purpose of gathering information about risk management practices. These were criteria 2,

6, 12, 15, 18, and 20. Proposed criterion 16 was not used in the study. A list of the proposed criteria may be seen on pp. 143-145 of the study. Items seven and eight were designed to probe the roles of the State Department of Education and the State Insurance Commission. Items nine and ten offered school division officials the opportunity to provide suggestions for the improvement of risk management in Virginia's public school divisions.

The questionnaire was submitted to practicing school administrators, specialists in school business administration, and insurance specialists for criticism and suggestions, and changes were made where necessary. A copy of the questionnaire is shown in Appendix B.

Collection of the Data

At the time the study was conducted there were 129 operating public school divisions serving Virginia. All 129 were included in the study. Each school division was identified by size and expenditure per pupil. For the purposes of examining risk management practices in Virginia's public schools, those divisions with less than 3,000 students were classified as small divisions, those with 3,000 to 10,000 students were classified as medium size divisions, and those with over 10,000 students were classified as large divisions.

For expenditure per pupil, a frequency distribution was utilized to determine the classification of school divisions. Due to the preponderance of school divisions who expend between \$900 and \$1,100 the following classifications were utilized:

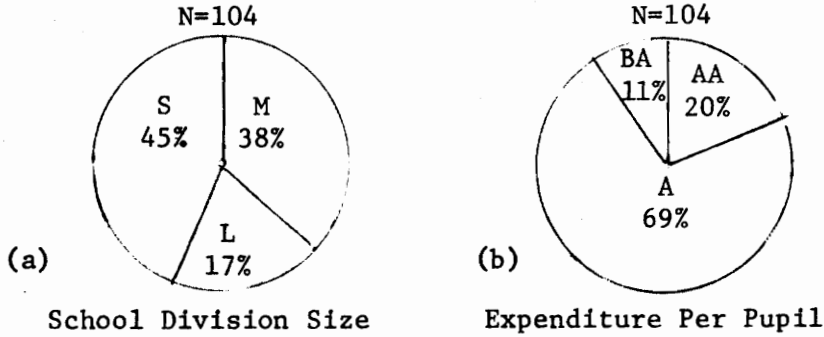
Under \$900	Below average expenditure
\$900 - \$1,100	Average expenditure
Over \$1,100	Above average expenditure

On January 4, 1977, a copy of the questionnaire with a letter explaining its purpose and providing directions for its completion, was mailed to each of the 129 superintendents of the operating school divisions of Virginia. A self-addressed envelope was provided for questionnaire return. On January 24, 1977, a follow-up letter and second copy of the questionnaire was sent to the sixty-four divisions who had not yet responded. Copies of these letters may be seen in Appendix C. On February 14, thirty-five schools who had not responded were called and response was requested.

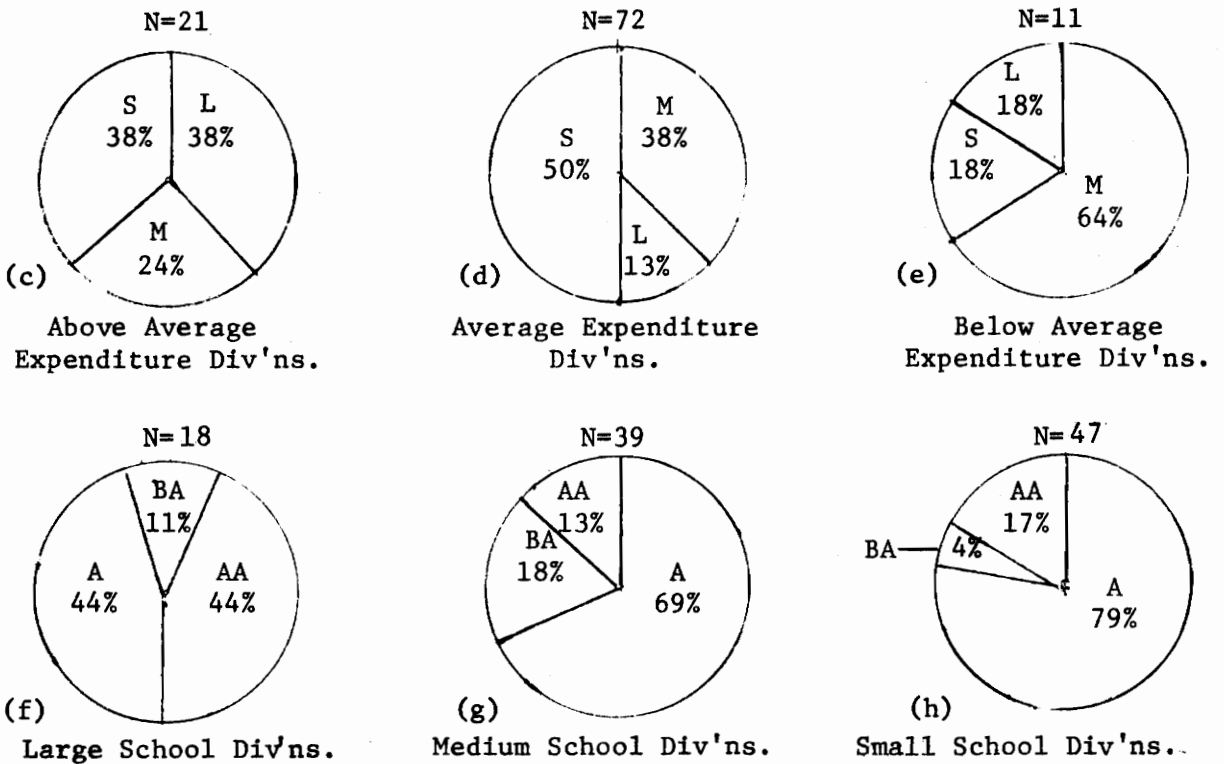
One hundred and five (81%) of the questionnaires were returned by February 21, 1977--one was unusable. Questionnaire return was deemed to be of adequate number and sufficiently representative of the sample to apply responses to the established criteria and gather information about risk management and insurance practices. A summary of questionnaire return by school division size and expenditure per pupil may be seen in Appendix D.

Classification of school division by size and expenditure per pupil resulted in distributions within classifications that merit attentions when analyzing the data. Figure 1 depicts the percentage of all responding school divisions by school division size and expenditure per pupil (1a, 1b) as well as the percentage of respondents within each classification when size and expenditure per pupil are considered (1c through 1h).

PERCENTAGE OF QUESTIONNAIRE RETURN
FOR ALL SCHOOL DIVISIONS



PERCENTAGE OF QUESTIONNAIRE RETURN BY SCHOOL DIVISION
SIZE AND EXPENDITURE PER PUPIL



S = Small, M = Medium, L = Large
 BA = Below Average Expenditure Div'n., A = Average Expenditure Div'n.
 AA = Above Average Expenditure Div'n.

Figure 1. Summary of the Percentage of School Divisions within Classifications, for All School Divisions and by School Division Size and Expenditure Per Pupil.

Figure 1a illustrates that 45 percent of all respondents were small school divisions, 38 percent were medium size divisions and 17 percent were large divisions.

Figure 1b illustrates that 69 percent of all respondents were average expenditure divisions, 20 percent were above average, and 11 percent were below average expenditure divisions.

An examination of figures 1c through 1h resulted in the following observations relative to the distribution of school divisions within size and expenditure per pupil classifications.

1. Above average divisions were primarily small and large divisions. Each comprised 38 percent of those classifications. Twenty-four percent were medium size divisions (1c)

2. Average expenditure divisions closely resembled the distribution of return for all school divisions by school division size (1d).

3. A large percentage of below average expenditure divisions were medium size divisions (64%). The remaining 36 percent were equally divided between small and large divisions (1e).

4. Large divisions were average and above average expenditure divisions. Each comprised 44 percent of those classifications.(1f).

5. Medium size divisions closely resembled the distribution of returns for all school divisions by expenditure per pupil (1g).

6. A large percentage of small divisions were average expenditure divisions (79%). Only four percent were below average expenditure divisions(1h).

Data Reporting

The first fourteen data items report the application of the established criteria to risk management practices in Virginia's public school divisions and are organized under the heading, "Application of the Established Criteria to Risk Management Practices." School division responses to each question provide data relative to the number and percentage of school divisions who met each criterion for all divisions and by school division size and expenditure per pupil. A table and narrative are provided for each criterion. The narrative that precedes each table reports aggregate data results for all school divisions and for comparisons within classifications of school division size and expenditure per pupil. The narrative does not report all results but only those the researcher feels are most related to the improvement of risk management practices or have implications for further study. In the narrative that precedes each table no attempt was made to hypothesize why sound or unsound risk management policies and practices were reported, nor why classifications of school division size or expenditure per pupil were effective or ineffective in meeting risk management criteria. These are areas for further study.

A summary of the application of the established criteria to risk management practices will be seen later in this chapter.

The information items report school division policies and practices and yield information designed to improve risk management practices in Virginia's public school divisions. Responses to information items are reported in percentages for all school divisions and

by school division size and expenditure per pupil. Each information item is accompanied by a narrative and table. Findings that the researcher deemed most related to the improvement of risk management practices may be seen in Chapter VI in the section entitled, "Other Findings."

The established criteria were classified by risk management and insurance function and the percentage of school divisions meeting each criterion, as well as mean percentages for each function, was utilized to make comparisons within classifications of school division size and expenditure per pupil. Mean percentages were used to make comparisons between functions.

Analysis of the Data

The data presented in this section were obtained from responses to a questionnaire which was sent to all 129 operating public school divisions of Virginia. Some of the questions were not answered by all respondents. In some cases more than one response was given, therefore responses are reported as aggregate data and the table displaying that data is appropriately footnoted. Where response combinations may be of significance to the study it is reported in the narrative that precedes each table. In all cases, percentages were calculated and rounded off to the nearest whole number. Data results occasionally appear inconsistent and in some cases where school division size and expenditure per pupil were considered, do not appear logical. These will be discussed in Chapter VI in the section titled "Recommendations for Further Study."

Application of the Established Criteria to
Risk Management Practices

In this section the established criteria were applied to Virginia school division risk management practices. Each criterion was based on a sound risk management principle. A question related to each criterion was developed and school divisions were asked to check the appropriate response or responses. An other category was added to provide school divisions flexibility in responding and opportunity to offer additional information. Results were collected and tabulated. The percentage of school divisions meeting each criterion as well as other data relative to school division risk management practices are reported for all school divisions and by school division size and expenditure per pupil.

Criterion 1--One school official shall be designated to assume the responsibility for the risk and insurance program.

To meet criterion 1 it was necessary for school division officials to indicate that the superintendent, assistant superintendent, or other school official assumed responsibility for the risk and insurance program. Of the 104 questionnaires returned, 103 (99%) answered question number 1 which pertained to criterion 1, and 94 met the criterion. Of those who met the criterion, 75 indicated that the superintendent assumed responsibility for the risk management program. Another 16 reported that risk management was the responsibility of the

assistant superintendent. School divisions not meeting the criterion delegated responsibility to a school board committee (5) or a committee of agents (4).

Large school divisions delegated responsibility to a school official in higher proportion (94%) than medium size (92%) or small divisions (89%). A higher proportion of large school divisions delegated responsibility to the assistant superintendent (44%) than did medium size (15%) or small school divisions (4%) while the small and medium size divisions named the superintendent as the person responsible for risk management with more regularity (83% and 74%, respectively).

Ninety-five percent of the above average expenditure divisions met the criterion and 43 percent of these delegated responsibility to the assistant superintendent. Above average expenditure division delegated responsibility to the assistant superintendent with more regularity (43%), while average (82%) and below average (73%) expenditure divisions were more inclined to delegate responsibility to the superintendent.

It should be pointed out that large and above average expenditure divisions report similar percentages for each response choice.

These and other data are summarized in Table 1.

Table 1

Summary of Responses for Criterion 1: One School Official Shall be Designated to Assume the Responsibility for the Risk and Insurance Program for All School Divisions and by School Division Size and Expenditure Per Pupil

	All School Div'ns.			School Division Size									Expenditure Per Pupil								
	Re- sponse	Met Crit.	%	Small Over 3000 N=47			Medium 3000 - 10,000 N=39			Large Over 10,000 N=18			Below Average Under 900 N=11			Average 900 - 1100 N=72			Above Average Over 1100 N=21		
				Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%
Criterion 1	103	94	91	46	41	89	39	36	92	18	17	94	11	10	91	71	64	90	21	20	95
School Div'n. Response																					
Superin- tendent	75		73	38		83	29		74	8		44	8		73	58		82	9		43
Ass't. Super- intendent	16		16	2		4	6		15	8		44	2		18	5		7	9		43
Committee of Agents	4		4	2		4	1		3	1		6	0		0	3		4	1		5
School Board Committee	5		5	3		7	2		6	0		0	1		9	4		6	0		0
Other	3		3	1		2	1		3	1		6	0		0	1		1	2		10
No response	1		1	1		2	0		0	0		0	0		0	1		1	0		0

Criterion 2--The school risk management official should establish and maintain up-to-date records of the school division risk management program.

To meet criterion 2 it was necessary for school division officials to respond that a central file for insurance records is kept. Of the 104 questionnaires returned, 103 (99%) answered question 3 which pertained to criterion 2, and 80 met the criterion. Of those who did not meet the criterion, 17 indicated that records are maintained by the agent/broker or school committee of agents, 11 maintained records for building value and contents only, and 11 maintained records for policies in force only.

Large school divisions kept a central file in 94 percent of those responding, compared to 77 percent for medium size, and 72 percent for small divisions. Small divisions utilized the agent/broker or school board committee in greatest proportion (22%).

Divisions classified as below average in per pupil expenditure met the criterion with more regularity (91%) than above average (81%) or average expenditure divisions (75%). Average expenditure divisions utilized the agent/broker or school board committee for record keeping in the greatest proportion (21%).

These and other data are summarized in Table 2.

Criterion 3--The individual responsible for the risk management programs should have a knowledge of the legal requirements for insurance in the public school divisions of Virginia.

To meet criterion 3 it was necessary for school officials to indicate that they periodically read any three of the four sources listed. All 104 school divisions answered question number 4 which

Table 2

Summary of Responses for Criterion 2: The School Risk Management Official Should Establish and Maintain Up-To-Date Records of the School Division Risk Management Program, for All School Divisions and by School Division Size and Expenditure Per Pupil^a

	All School Div'ns.			School Division Size									Expenditure Per Pupil								
	Re- sponse	Met Crit.	%	Small Over 3000 N=47			Medium 3000 - 10,000 N=39			Large Over 10,000 N=18			Below Average Under 900 N=11			Average 900 - 1100 N=72			Above Average Over 1100 N=21		
				Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%
Criterion 2	103	80	78	46	33	72	39	30	77	18	17	94	11	10	91	71	53	75	21	17	81
School Div'n. Response																					
Bldg. value & contents	11	11		7	15		4	10		0	0		0	0		9	13		2	10	
Policies in force	11	11		6	13		5	13		0	0		1	9		6	9		4	19	
Maintained by agent/broker/ or committee	17	17		10	22		6	15		1	6		0	0		15	21		2	10	
Central file	80	78		33	72		30	77		17	94		10	91		53	75		17	81	
Other	1	1		1	2		0	0		0	0		0	0		1	1		0	0	
No response	1	1		1	2		0	0		0	0		0	0		1	1		0	0	

^aAggregated Responses.

pertained to criterion 3, and 60 met the criterion. Of those who met the criterion, 37 (36%) read all four sources and 23 (22%) read three sources. The Virginia Code was read by 90 percent of all divisions, followed by the Attorney General's Opinions (76%), briefs of court cases (71%), and legal bulletins (67%). All divisions reported reading at least one source.

Large school divisions were most effective in meeting the criterion (67%). A greater percentage of large divisions periodically read all four legal sources (56%) than did medium size (33%) or small divisions (30%). Small divisions were least effective in meeting the criterion (51%). Medium size divisions reported 18 percent who read just one source compared to nine percent for small divisions. All large divisions read at least two legal sources.

Above average expenditure divisions met the criterion with more regularity (67%) than average (57%) or below average (45%) expenditure divisions. Although there was little difference in the percentage reading four sources, below average expenditure division officials reported only nine percent reading three sources, and only 73 percent who read the Virginia Code.

These and other data are summarized in Table 3.

Criterion 4--Necessary forms and standard procedures for reporting accidents, as well as liability and property losses, should be established and maintained by the individual responsible for the risk management program.

To meet criterion 4 it was necessary for school division officials to indicate that forms and standard procedures are established

Table 3

Summary of Responses for Criterion 3: The Individual Responsible for the Risk Management Program Should Have a Knowledge of the Legal Requirements for Insurance in the Public School Divisions of Virginia, for All School Divisions and by School Division Size and Expenditure Per Pupil^a

	All School Div'ns.			School Division Size									Expenditure Per Pupil								
	Re- sponse	Met Crit.	%	Small Over 3000 N=47			Medium 3000 - 10,000 N=39			Large Over 10,000 N=18			Below Average Under 900 N=11			Average 900 - 1100 N=72			Above Average Over 1100 N=21		
				Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%
Criterion 3	104	60	58	47	24	51	39	24	62	18	12	67	11	5	45	72	41	57	21	14	67
School Div'n. Response																					
Opinions of the Attorney Gen- eral	79		76	37		79	28		72	14		78	9		82	54		75	16		76
Court brief or summaries	74		71	31		66	29		74	14		78	7		64	52		72	15		71
Virginia Code	94		90	43		91	35		90	16		89	8		73	66		92	20		95
Legal Bulletins	70		67	28		60	27		69	15		83	6		55	47		65	17		81
Other	0		0	0		0	0		0	0		0	0		0	0		0	0		0
No response	0		0	0		0	0		0	0		0	0		0	0		0	0		0
Read all of the above	37		36	14		30	13		33	10		56	4		36	25		35	8		38
Read three of the above	23		22	10		21	11		28	2		11	1		9	16		22	6		29
Read two of the above	33		32	19		40	8		21	6		33	5		45	23		32	5		24
Read one of the above	11		11	4		9	7		18	0		0	1		9	8		11	2		10

^a Aggregated Responses.

and maintained for reporting accidents, and liability, and property losses. For the purpose of reporting; accidents, liability, and property losses shall be reported as loss types. Of the 104 questionnaires returned, 100 (96%) answered question 5 which pertained to criterion 4, and 61 met the criterion. Of those not meeting the criterion, 12 reported using forms and standard procedures for reporting two loss types and 20 utilized forms and standard procedures for one loss type. Another seven reported that building principals handled this in their own way and did not indicate using forms and standard procedures to report any of the loss types.

Large divisions met the criterion in 67 percent of responding divisions compared to 62 percent for medium size and 58 percent for small divisions. Seventeen percent of the large divisions indicated building principals handled loss reporting in their own way.

Sixty-eight percent of the above average expenditure divisions reported utilizing forms and standard procedures for all three loss types and 84 percent maintained forms and procedures for at least two loss types. Average expenditure divisions reported the lowest percentage who utilized forms for all three loss types (59%). Ninety-one percent of the below average expenditure divisions used forms and standard procedures for reporting accidents, but only 64 percent utilized them to report property losses.

These and other data are summarized in Table 4.

Table 4

Summary of Responses for Criterion 4: Necessary Forms and Standard Procedures for Reporting Accidents, as well as Liability and Property Losses, Should be Established and Maintained by the Individual Responsible for the Risk Management Program, for All School Divisions and by School Division Size and Expenditure Per Pupil^a

	All School Div'ns.			School Division Size									Expenditure Per Pupil								
	Re- sponse	Met Crit.	%	Small Over 3000 N=47			Medium 3000 - 10,000 N=39			Large Over 10,000 N=18			Below Average Under 900 N=11		Average 900 - 1100 N=72		Above Average Over 1100 N=21				
				Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%
Criterion 4	100	61	61	43	25	58	39	24	62	18	12	67	11	7	64	70	41	59	19	13	68
School Div'n. Response																					
Accident	78	78		34	79		30	77		14	78		10	91		52	74		16	84	
Liability	76	76		33	77		29	74		14	78		9	82		51	73		16	84	
Property	73	73		30	70		30	77		13	72		7	64		51	73		15	79	
Building Prin- cipals handle in own way	7	7		2	5		2	5		3	17		0	0		6	9		1	5	
Other	0	0		0	0		0	0		0	0		0	0		0	0		0	0	
No response	4	4		4	9		0	0		0	0		0	0		2	3		2	11	
3 loss types	61	61		25	58		24	62		12	67		7	64		41	59		13	68	
2 loss types	12	12		6	14		4	10		2	11		1	9		8	11		3	16	
1 loss type	20	20		10	23		9	23		1	6		3	27		15	21		2	11	

^a Aggregated Responses.

Criterion 5--The Board of Education should establish a broad policy to serve as the guideline for the school official in managing the school division insurance program.

To meet criterion 5 it was necessary for school division officials to indicate that the school board established the policy for administering the risk and insurance program. All 104 reporting school divisions answered question number 7 which pertained to criterion 5, and 86 met the criterion. Of those not meeting the criterion, 11 indicated that the superintendent established policy, four indicated it was the assistant superintendent, and three had no policy.

The school board established policy in greatest proportion in medium size school divisions (87%) and in least proportion in large divisions (73%).

The school board established policy in all of the below average expenditure divisions compared to 82 percent for average and 76 percent for above average expenditure divisions.

These and other data are summarized in Table 5.

Criterion 6--The school division's risk management program should be reviewed annually.

To meet criterion 6, it was necessary for school divisions to indicate that the risk management program was reviewed every year. All 104 reporting school divisions answered question number 8 which pertained to criterion 6, and 81 met the criterion. Of those not meeting the criterion, two reported review every two years, two every five years, and seven seldom or never. The 12 divisions who responded

Table 5

Summary of Responses for Criterion 5: The Board of Education Should Establish a Broad Policy to Serve as the Guideline for the School Insurance Official in Managing the School Division Insurance Program, for All School Divisions and by School Division Size and Expenditure Per Pupil

	All School Div'ns.			School Division Size									Expenditure Per Pupil								
	Re- sponse	Met Crit.	%	Small Over 3000 N=47			Medium 3000 - 10,000 N=39			Large Over 10,000 N=18			Below Average Under 900 N=11			Average 900 - 1100 N=72			Above Average Over 1100 N=21		
				Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%
Criterion 5	104	86	83	47	39	83	39	34	87	18	13	73	11	11	100	72	59	82	21	16	76
School Div'n. Response																					
Superintendent	11		11	6		13	2		5	3		17	0		0	8		11	3		14
Asst. Superintendent	4		4	0		0	2		5	2		11	0		0	2		3	2		9
School Board	86		83	39		83	34		87	13		73	11		100	59		82	16		76
No Policy	3		3	2		4	1		3	0		0	0		0	3		4	0		0
Other	0		0	0		0	0		0	0		0	0		0	0		0	0		0
No response	0		0	0		0	0		0	0		0	0		0	0		0	0		0

other reported review every three years.

A greater proportion of large school divisions reviewed the risk management program annually (89%) than medium size (79%), or small divisions (72%).

School divisions classified as above average in per pupil expenditure met the criterion in greater proportion (90%) than those classified as average (75%) or below average (73%). All seven of those school divisions who seldom or never reviewed the risk management program were divisions classified as average in per pupil expenditure.

These and other data are summarized in Table 6.

Criterion 7--Building planning, alterations, and maintenance should be carried out with property protection and safety a prime concern.

To meet criterion 7 it was necessary for school divisions to indicate that insurance protection and safety were a regular part of planning in building planning, building alteration, and building maintenance. Of the 104 school divisions returning questionnaires, 101 (97%) answered question number 9 which pertained to criterion 7, and 50 met the criterion. Insurance protection and safety were a regular part of planning in building maintenance in 75 school divisions while property protection and safety were less of a prime concern in building planning (66) and building alteration (63).

Large school divisions met the criterion for 67 percent of those responding compared to 54 percent for medium size division and 39 percent for small divisions. A greater percentage of small school

Table 6

Summary of Responses for Criterion 6: The School Division's Risk Management Program Should Be Reviewed Annually, for All School Divisions and by School Division Size and Expenditure Per Pupil

	All School Div'ns.			School Division Size									Expenditure Per Pupil								
	Re- sponse	Met Crit.	%	Small Over 3000 N=47			Medium 3000 - 10,000 N=39			Large Over 10,000 N=18			Below Average Under 900 N=11			Average 900 - 1100 N=72			Above Average Over 1100 N=21		
				Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%
Criterion 6	104	81	78	47	34	72	39	31	79	18	16	89	11	8	73	72	54	75	21	19	90
School Div'n. Response																					
Every Year	81	78		34	72		31	79		16	89		8	73		54	75		19	90	
Every Two Years	2	2		2	4		0	0		0	0		1	9		1	1		0	0	
Every Five Years	2	2		1	2		1	3		0	0		0	0		2	3		0	0	
Seldom or never	7	7		3	6		3	8		1	6		0	0		7	10		0	0	
Other	12	12		7	15		4	10		1	6		2	18		8	11		2	10	
No response	0	0		0	0		0	0		0	0		0	0		0	0		0	0	

divisions did not consider insurance protection and safety for any of the above than the other classifications (14%).

School divisions classified as below average in per pupil expenditure met the criterion with the greatest regularity (73%). Property protection and safety were a prime concern in building planning and alteration in all 11 school divisions classified as below average in per pupil expenditure. Only 41 percent of the average expenditure divisions met the criterion.

These and other data are summarized in Table 7.

Criterion 8--Fire, safety, and hazard inspections of the school division should be conducted by qualified division personnel at least three times a year.

To meet criterion 8 it was necessary for school divisions to indicate that inspections are conducted either three times a year or four or more times a year. Of the 104 questionnaires returned, 103 (99%) answered question number 10 which pertained to criterion 8, and 40 met the criterion. Of those meeting the criterion, 29 conducted inspections four or more times a year and 11 three times a year. There were 63 school divisions who did not meet the criterion. Of those, 40 conducted inspections twice a year, 22 conducted inspections once a year, and one (other) every two years.

Large school divisions conducted inspections with adequate frequency in higher proportion (59%) than medium size (38%) or small (32%) school divisions. Small school divisions conducted inspections four or more times a year in lowest proportion (17%).

Table 7

Summary of Responses for Criterion 7: Building Planning, Alterations, and Maintenance Should be Carried out with Property Protection and Safety a Prime Concern, for All School Divisions and by School Division Size and Expenditure Per Pupil^a

	All School Div'ns.			School Division Size									Expenditure Per Pupil								
	Re- sponse	Met Crit.	%	Small Over 3000 N=47			Medium 3000 - 10,000 N=39			Large Over 10,000 N=18			Below Average Under 900 N=11			Average 900 - 1100 N=72			Above Average Over 1100 N=21		
				Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%
Criterion 7	101	50	50	44	17	39	39	21	54	18	12	67	11	8	73	70	29	41	20	13	65
School Div'n. Response																					
Building Planning	66	66		26	59		26	67		14	78		11	100		40	57		15	75	
Building Alte- ration	63	63		25	57		25	64		13	72		11	100		36	51		16	80	
Building Main- tenance	75	75		32	73		30	77		13	72		8	73		51	73		16	80	
All of the above	50	50		17	39		21	54		12	67		8	73		29	41		13	65	
None of the above	12	12		6	14		4	10		2	11		0	0		10	14		2	10	
Other	0	0		0	0		0	0		0	0		0	0		0	0		0	0	
No response	3	3		3	7		0	0		0	0		0	0		2	3		1	5	

^a Aggregated Responses.

Above average expenditure divisions met the criterion for 52 percent of those responding compared to 37 percent for average expenditure divisions and 27 percent for below average expenditure divisions. Above average expenditure divisions conducted inspections four or more times a year in higher proportion (33%) than the other two classifications (27%).

These and other data are summarized in Table 8.

Criterion 9--The school division should establish and maintain an educational program of loss prevention and safety.

To meet criterion 9 school division officials had to indicate that there was a planned program to prevent loss and promote safety in the school division. Of the 104 questionnaires returned, 102 (98%) of all school divisions answered question number 11 which pertained to criterion 9, and 29 met the criterion. It was reported that administrators encouraged loss prevention and safety in 82 of the school divisions, while 18 utilized a safety week, and ten used teachers in a common sense approach.

A planned program existed in 41 percent of the large divisions and only 20 percent of the small divisions. Small school divisions utilized teachers in a common sense approach in greater proportion (20%) than did medium size divisions (3%). Large divisions reported no teacher use. Administrators encouraged loss prevention and safety with less regularity in small school divisions (72%).

Below average expenditure divisions reported the lowest percentage who utilized a planned program for safety (9%) but all utilized

Table 8

Summary of Responses for Criteria 8: Fire, Safety, and Hazard Inspections of the School Division Should be Conducted by Qualified Division Personnel at Least Three Times a Year, for All School Divisions and by School Division Size and Expenditure Per Pupil

	All School Div'ns.			School Division Size									Expenditure Per Pupil								
	Re- sponse	Met Crit.	%	Small Over 3000 N=47			Medium 3000 - 10,000 N=39			Large Over 10,000 N=18			Below Average Under 900 N=11			Average 900 - 1100 N=72			Above Average Over 1100 N=21		
				Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%
Criterion 8	103	40	39	47	15	32	39	15	38	17	10	59	11	3	27	71	26	37	21	11	52
School Div'n. Response																					
Once a year	22	21		9	19		9	23		4	24		4	36		14	20		4	19	
Twice a year	40	39		23	49		14	36		3	18		4	36		30	42		6	29	
Three times a year	11	11		7	15		3	8		1	6		0	0		7	10		4	19	
Four or more times a year	29	28		8	17		12	31		9	53		3	27		19	27		7	33	
Other	1	1		0	0		1	3		0	0		0	0		1	1		0	0	
No response	1	1		0	0		0	0		1	6		0	0		1	1		0	0	

administrators to encourage loss prevention and safety. A higher proportion of above average expenditure divisions utilized a safety week (33%) than the other classifications. No below average expenditure divisions reported using teachers in a common sense approach. The use of administrators to encourage loss prevention and safety was an activity that promoted loss prevention and safety and was utilized by a high percentage of divisions of all classifications.

These and other data are summarized in Table 9.

Criterion 10--A risk analysis program should be operable which will analyze potential loss of property, damage to property, and liability responsibility of the school division.

To meet criterion 10 school officials had to indicate that a program existed to analyze potential loss of property, damage to property, and liability responsibility. Of the 104 questionnaires returned, 101 (97%) of all school divisions answered question number 13 which pertained to criterion 10, and 14 met the criterion. School divisions indicated that 54 utilized inspections to analyze loss, 31 used reports from key personnel, 15 analyzed risk after a loss occurs, and in 12 no program existed.

Large school divisions reported an operable risk analysis program in 38 percent of those responding compared to 13 percent for medium size divisions and six percent for small divisions. Small school divisions analyzed risk after loss in greater percentage (23%). Medium size divisions utilized inspections to promote safety in the greatest proportion (66%).

Table 9

Summary of Responses for Criterion 9: The School Division Should Establish and Maintain an Educational Program of Loss Prevention and Safety, for All School Divisions and by School Division Size and Expenditure Per Pupil^a

All School Div'ns.	School Division Size												Expenditure Per Pupil								
	Small Over 3000 N=47			Medium 3000 - 10,000 N=39			Large Over 10,000 N=18			Below Average Under 900 N=11			Average 900 - 1100 N=72			Above Average Over 1100 N=21					
	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%			
Criterion 9	102	29	28	46	9	20	39	13	33	17	7	41	11	1	9	70	21	30	21	7	33
School Div'n. Response																					
Administrators encourage loss preven- tion & safety	82		80	33		72	34		87	15		88	11		100	53		76	18		86
Planned pro- gram	29		28	9		20	13		33	7		41	1		9	21		30	7		33
Safety week	18		18	8		17	7		18	3		18	1		9	10		14	7		33
Common sense	10		10	9		20	1		3	0		0	0		0	8		11	2		10
Other	0		0	0		0	0		0	0		0	0		0	0		0	0		0
No response	2		2	1		2	0		0	1		6	0		0	2		3	0		0

^a Aggregated Responses.

A greater percentage of above average expenditure divisions reported a risk analysis program existed (24%) than did average (12%) or below average expenditure divisions (9%). Below average expenditure divisions utilized inspections in the greatest proportion (64%) while reports from key personnel were utilized by a higher proportion of average expenditure divisions (33%).

These and other data are summarized in Table 10.

Criterion 11--The financial strength and qualifications of companies selected should be determined by use of Bests, Spectator, or similar ratings.

To meet criterion 11 school divisions had to respond that Bests, Spectator, or similar ratings, either directly or through agent or broker, were used to determine financial strength and qualifications of insurance companies. All 104 school divisions responded to question 14 which pertained to criterion 11, and 24 met the criterion. The recommendation of the agent was utilized by 53 school divisions, while 22 used the recommendation of the broker. Financial strength and qualifications of companies were not a factor in placing business in 15 school divisions.

Large school divisions met the criterion in 67 percent of those divisions responding compared to 18 percent in medium size, and 11 percent in small divisions. A higher proportion of small school divisions relied on agents' recommendations (60%) than did medium size (51%) or large divisions (28%). Nineteen percent of small school divisions did not consider strengths and qualifications of companies when placing business.

Table 10

Summary of Responses for Criterion 10: A Risk Analysis Program Should be Operable Which Will Analyze Potential Loss of Property, Damage to Property, and Liability Responsibility of the School Division, for All School Divisions and by School Division Size and Expenditure Per Pupil^a

	All School Div'ns.			School Division Size									Expenditure Per Pupil									
	Re- sponse	Met		Small Over 3000 N=47			Medium 3000 - 10,000 N=39			Large Over 10,000 N=18			Below Average Under 900 N=11			Average 900 - 1100 N=72			Above Average Over 1100 N=21			
			Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%
Criterion 10	101	14	14	47	3	6	38	5	13	16	6	38	11	1	9	69	8	12	21	5	24	
School Div'n. Response																						
Program exists	14		14	3		6	5		13	6		38	1		9	8		12	5		24	
Reports from key personnel	31		31	16		34	12		32	3		19	3		27	23		33	5		24	
Inspection	54		54	20		43	25		66	9		56	7		64	37		54	10		48	
After loss	15		15	11		23	3		8	1		6	1		9	10		14	4		19	
No program	12		12	5		11	5		13	2		13	2		18	9		13	1		5	
Other	0		0	0		0	0		0	0		0	0		0	0		0	0		0	
No response	3		3	0		0	1		3	2		13	0		0	3		4	0		0	

^a Aggregated Responses.

School divisions classified as above average in per pupil expenditure reported that 33 percent utilized Bests, Spectator, or similar ratings in selecting companies compared to 27 percent for below average and 19 percent for average expenditure divisions. Below average expenditure divisions relied more on agents (64%) than average (54%) or above average expenditure divisions (33%), but did not use brokers to the extent the other classifications did. A greater percentage of above average expenditure divisions reported not considering financial strengths and qualifications in selecting companies (24%). Above average expenditure divisions reported the greatest proportion who met the criterion as well as the greatest proportion who did not consider the financial strengths and qualifications of companies.

These and other data are summarized in Table 11.

Criterion 12--School division appraisals should be updated annually.

To meet criterion 12 school divisions had to indicate that property appraisals were made annually or more than once a year (other). Of the 104 questionnaires returned, 102 (98%) answered question number 16 which pertained to criterion 12, and 71 met the criterion. It was reported that five school divisions appraised every two years, 17 every three years, and six seldom or never appraised property.

Small and large school divisions conducted annual appraisals in 72 percent of the cases compared to 66 percent for medium size school divisions. Twenty four percent of the medium size divisions

Table 11

Summary of Responses for Criterion 11: The Financial Strength and Qualifications of Companies Selected Should be Determined by Use of Best's, Spectator's, or Similar Ratings, for All School Divisions and by School Division Size and Expenditure Per Pupil^a

	All School Div'ns.			School Division Size									Expenditure Per Pupil								
	Re- sponse	Met Crit.	%	Small Over 3000 N=47			Medium 3000 - 10,000 N=39			Large Over 10,000 N=18			Below Average Under 900 N=11			Average 900 - 1100 N=72			Above Average Over 1100 N=21		
				Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%
Criterion 11	104	24	23	47	5	11	39	7	18	18	12	67	11	3	27	72	14	19	21	7	33
School Div'n. Response																					
Agent	53	51		28	60		20	51		5	28		7	64		39	54		7		33
Broker	22	21		9	19		8	21		5	28		1	9		17	24		4		19
Best's, Spec- tator, etc.	24	23		5	11		7	18		12	67		3	27		14	19		7		33
Strengths and qualifications not considered	15	14		9	19		5	13		1	6		1	9		9	13		5		24
Other	3	3		1	2		2	5		0	0		0	0		2	3		1		5
No response	0	0		0	0		0	0		0	0		0	0		0	0		0		0

^a Aggregated Responses.

appraised property every three years. No large school divisions reported having seldom or never appraised property.

Above average expenditure divisions appraised annually in 81 percent of responding divisions compared to 67 percent for average and 64 percent for below average expenditure divisions. A higher percentage of below average expenditure divisions appraised property every three years (27%) than the other classifications. No divisions in other classifications reported seldom or never appraising property.

These and other data are summarized in Table 12.

Criterion 13--School facilities and property other than rolling stock should be insured at replacement value.

To meet criterion 13 school divisions had to indicate that school division facilities and property, other than rolling stock, were insured at replacement value. Of the 104 questionnaires returned, 103 (99%) answered question 18 which pertained to criterion 13; and 65 met the criterion. Of those not meeting the criterion, 25 indicated that actual cash value was used, four used depreciation value, and nine checked the other response. The other responses included eight that responded "don't know."

Medium size school divisions insured at replacement value in 66 percent of responding divisions compared to 64 percent for small divisions and 56 percent for large school divisions. Large school divisions responded "don't know" in the greatest proportion (17%).

Table 12

Summary of Responses for Criterion 12: School Division Property Appraisals Should be Updated Annually, for All School Divisions and by School Division Size and Expenditure Per Pupil

	All School Div'ns.			School Division Size									Expenditure Per Pupil								
	Re- sponse	Met Crit.	%	Small Over 3000 N=47			Medium 3000 - 10,000 N=39			Large Over 10,000 N=18			Below Average Under 900 N=11			Average 900 - 1100 N=72			Above Average Over 1100 N=21		
				Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%
Criterion 12	102	71	70	46	33	72	38	25	66	18	13	72	11	7	64	70	47	67	21	17	81
School Div'n. Response																					
Annually	71		70	33		72	25		66	13		72	7		64	47		67	17		81
Every two years	5		5	2		4	1		3	2		11	1		9	3		4	1		5
Every three years	17		17	5		11	9		24	3		17	3		27	13		19	1		5
Seldom or never	6		6	4		9	2		5	0		0	0		0	5		7	1		5
Other	3		3	2		4	1		3	0		0	0		0	2		3	1		5
No response	2		2	1		2	1		3	0		0	0		0	2		3	0		0

Below average expenditure divisions met the criterion for 80 percent of those responding compared to 71 percent for above average expenditure divisions and 58 percent for average expenditure school divisions. Average expenditure divisions utilized actual cash value in highest proportion (28%). Few divisions of any classification insured at depreciation value.

These and other data are summarized in Table 13.

Criterion 14--In purchasing insurance; deductibles, package plans, and blanket policy coverages should be considered.

To meet criterion 14 it was necessary for school officials to indicate that deductibles, package plans, and blanket coverage are considered when purchasing insurance coverage. All 104 of the returned questionnaires answered question 20 which pertained to criterion 14, and 35 met the criterion. School officials reported that 74 school divisions considered blanket coverage, 60 considered deductible, and 57 considered package plans when purchasing insurance.

Medium size divisions considered all three insurance economies in 41 percent of those responding compared to 33 percent for large divisions and 28 percent for small school divisions. A lower percentage of small school divisions considered deductible (47%) than the other classifications.

Average per pupil expenditure divisions met the criterion in 35 percent of those responding compared to 33 percent for above average and 27 percent for below average expenditure divisions. Below

Table 13

Summary of Responses for Criterion 13: School Facilities and Property Other than Rolling Stock Should be Insured at Replacement Value, for All School Divisions and by School Division Size and Expenditure Per Pupil

	<u>All School Div'ns.</u>			<u>School Division Size</u>									<u>Expenditure Per Pupil</u>								
	Re- sponse	Met Crit.	%	<u>Small</u> Over 3000 N=47			<u>Medium</u> 3000 - 10,000 N=39			<u>Large</u> Over 10,000 N=18			<u>Below Average</u> Under 900 N=11			<u>Average</u> 900 - 1100 N=72			<u>Above Average</u> Over 1100 N=21		
				Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%
Criterion 13	103	65	63	47	30	64	38	25	66	18	10	56	10	8	80	72	42	58	21	15	71
School Div'n. Response																					
Depreciation Value	4		4	2		4	1		3	1		6	0		0	3		4	1		5
Actual Cash Value	25		24	12		26	9		24	4		22	1		10	20		28	4		19
Replacement Value	65		65	30		64	25		66	10		56	8		80	42		58	15		71
Other	9		9	3		6	3		8	3		17	1		10	7		10	1		5
No response	1		1	0		0	1		3	0		0	1		10	0		0	0		0

average expenditure divisions considered package plans in the lowest proportion (45%) while the above average expenditure divisions considered blanket coverage in the least proportion.

These and other data are summarized in Table 14.

Risk Management Information Items

In this section responses to the ten information items are reported. The first six items deal with risk management practices. Questions were developed for each item utilizing the proposed criteria that were not validated for use as criteria for sound risk management practices, but were deemed desirable to produce information about risk management. The criteria utilized were proposed criteria 2, 6, 12, 15, 18, and 20. Criterion 16 was not used in the study. Information items seven and eight were designed to probe the roles of the State Department of Education and the State Insurance Commission. Items nine and ten offered school divisions the opportunity to provide information for the improvement of risk management in the public school divisions of Virginia. An other category provided school divisions the opportunity to provide suggestions for the improvement of risk management practices in the public school divisions of Virginia.

Responses to the information items were collected and tabulated and are reported for all school divisions and by school division size and expenditure per pupil.

Table 14

Summary of Responses for Criterion 14: In Purchasing Insurance; Deductibles, Package Plans, and Blanket Policy Coverages Should be Considered, for All School Divisions and by School Division Size and Expenditure Per Pupil^a

	All School Div'ns.			School Division Size									Expenditure Per Pupil								
	Re- sponse	Met Crit.	%	Small Over 3000 N=47			Medium 3000 - 10,000 N=39			Large Over 10,000 N=18			Below Average Under 900 N=11			Average 900 - 1100 N=72			Above Average Over 1100 N=21		
				Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%
Criterion 14	104	35	34	47	13	28	39	16	41	18	6	33	11	3	27	72	25	35	21	7	33
School Div'n. Response																					
Deductible	60	58		22	47		25	64		13	72		7	64		40	56		13	62	
Package Plans	57	55		25	53		23	59		9	50		5	45		39	54		13	62	
Blanket Coverage	74	71		35	74		28	72		11	61		9	82		53	74		12	57	
All of above	35	34		13	28		16	41		6	33		3	27		25	35		7	33	
None of above	5	5		1	2		2	5		2	11		0	0		2	3		3	14	
Other	1	1		1	2		0	0		0	0		0	0		1	1		0	0	
No response	0	0		0	0		0	0		0	0		0	0		0	0		0	0	

^a Aggregated Responses.

Information Item 1--This item was designed to ascertain what special training school officials have in insurance or risk management.

School officials were asked to check the types of risk management and insurance training they have and supply information relative to the approximate numbers of clock and/or credit hours the school official responsible for the risk management program had received. Of the 104 questionnaires returned, 100 (96%) answered question 2 which pertained to information item 1.

Sixty three school division officials responsible for risk management had no training in insurance or risk management. Of the 37 who had training, 21 had at least one three hour college course in insurance and 13 had attended insurance workshops. None reported any college courses in risk management.

School division officials with no risk or insurance training were proportionally greater in small school divisions (69%) than in large (59%) or medium size divisions (58%). School division officials with college courses in insurance were in greater proportion in medium size divisions (32%) than large (18%) or small school divisions (13%). Division officials with insurance workshop training were proportionally greater in large school divisions (24%) than small (16%) or medium size (5%).

Average expenditure divisions reported a higher proportion who had insurance college courses (23%) but the lowest proportion who had insurance workshop training (11%). Average expenditure divisions reported the highest percentage of school division officials who had

no special training in insurance (65%) while below average expenditure divisions reported the lowest proportion with no special training (55%).

These and other data are summarized in Table 15.

Information Item 2--This item was designed to determine who checks each insurance policy to see that it is accurate and up to date.

School officials were asked to indicate who had the above responsibility: the insurance agent or broker; committee of agents; school person responsible for risk management; or other person or agency. School division officials could also respond that policies are not checked for accuracy and concurrency.

Of the 104 questionnaires returned all responded to question 6 which pertained to information item 2. Some indicated that policies were jointly checked. Insurance policies were checked by the school person responsible in 37 school divisions and by the insurance agent or broker in 26 divisions. The agent or broker and school person responsible jointly checked policies in 41 school divisions. The committee of agents checked insurance policies in 17 school divisions.

School officials responsible for risk management checked policies in higher proportion in large divisions (61%) than small (32%), or medium size divisions (28%). Policies were jointly checked by agents or brokers and school officials responsible in greater proportion in large divisions (55%).

Table 15

Summary of Responses for Information Item 1: Risk Management and Insurance Training, for All School Divisions and by School Division Size and Expenditure Per Pupil

	All School Divisions		School Division Size						Expenditure Per Pupil					
	Re- sponse	Percent	Small Under 3000 N=47		Medium 3000 - 10,000 N=39		Large Over 10,000 N=18		Below Average Under 900 N=11		Average 900 - 1100 N=72		Above Average Over 1100 N=21	
			Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent
Information Item 1	100		45		38		17		11		71		18	
School Division Response														
Insurance workshops	13	13	7	16	2	5	4	24	2	18	8	11	3	17
Insurance-- College courses	21	21	6	13	12	32	3	18	2	18	16	23	3	17
Risk Management College courses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
None	63	63	31	69	22	58	10	59	6	55	46	65	11	61
Other	3	3	1	2	2	5	0	0	1	9	1	1	1	6
No response	4	4	2	4	1	3	1	6	0	0	1	1	3	17

The school official responsible for risk management checked policies in greater proportion in above average expenditure divisions (48%). Above average expenditure divisions jointly checked policies with less regularity (19%).

These and other data are summarized in Table 16.

Information Item 3--This item was designed to ascertain what methods are utilized to promote better driving and safety by school bus drivers.

School division officials were asked to check a list of activities designed to promote better driving and safety by school bus drivers and indicate those utilized in their school divisions. The list included bus driver training programs, periodic driving checks, and periodic physicals of all bus drivers. School divisions could indicate that nothing special was done in this area. Of the 104 questionnaires returned, 100 (96%) answered question 12 which pertained to information item 3.

Bus driver training programs were reported in existence in 87 school divisions and periodic physicals were required in 86 school divisions. Periodic driving checks were a practice in 55 school divisions. Only one school division reported doing nothing special in this area.

Small school divisions required periodic physicals in higher proportion (93%) than the other classifications. Medium size (58%) and small school divisions (57%) conducted periodic driving checks in greater proportion than large divisions (44%). Small divisions

Table 16

Summary of Responses for Information Item 2: Checking of Policies, for All School Divisions and by School Division Size and Expenditure Per Pupil^a

	All School Divisions		School Division Size						Expenditure Per Pupil					
	Re- sponse	Percent	Small Under 3000 N=47		Medium 3000 - 10,000 N=39		Large over 10,000 N=18		Below Average Under 900 N=11		Average 900 - 1100 N=72		Above Average Over 1100 N=21	
			Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent
Information Item 2	104		47		39		18		11		72		21	
School Division Response														
Insurance agent or broker	26	25	9	19	14	36	3	17	2	18	18	25	6	29
Committee of agents	17	16	6	13	5	13	6	33	1	9	12	17	4	19
School person responsible	37	36	15	32	11	28	11	61	2	18	25	35	10	48
Policies not checked	3	3	2	4	1	3	0	0	1	9	1	1	1	5
Agent or broker and school person	41	40	15	32	16	41	10	55	5	45	32	44	4	19
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
No response	0	0	0	0	0	0	0	0	0	0	0	0	0	0

^a Aggregate Responses.

utilized a bus driver training program less (82%) than medium size (92%) or large divisions (89%).

Average and below average expenditure divisions reported 91 percent conducted a bus driver training program compared to 70 percent for the above average expenditure divisions. A lower proportion of above average expenditure divisions than other classifications required periodic physicals (70%) but a higher proportion conducted periodic driving checks (60%).

These and other data are summarized in Table 17.

Information Item 4--This item was designed to determine how agents or brokers are chosen by school divisions.

School division officials were asked to indicate if agents or brokers were chosen through the bidding process, on the basis of skills and competencies needed by the school divisions, from local agents or brokers, or by a committee of area agents. They were also asked if the price of the insurance was a factor in selecting agents or brokers.

Of the 104 questionnaires returned, 102 (98%) answered question 15 which pertained to information item 4. Agents or brokers were chosen on the basis of skills and competencies necessary in 29 school divisions. Selection of agents or brokers was limited to local agents or brokers in 28 school divisions. A committee of area agents represented 16 divisions while the bidding process was utilized in 45 school divisions. There were no responses to indicate that price was not a factor in selection; therefore, one can conclude

Table 17

Summary of Responses for Information Item 3: Methods to Promote Better Driving and Safety by Bus Drivers, for All School Divisions and by School Division Size and Expenditure Per Pupil^a

	All School Divisions		School Division Size						Expenditure Per Pupil					
	Re- sponse	Percent	Small Under 3000 N=47		Medium 3000 - 10,000 N=39		Large over 10,000 N=18		Below Average Under 900 N=11		Average 900 - 1100 N=72		Above Average Over 1100 N=21	
			Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent
Information Item 3	100		44		38		18		11		69		20	
School Division Response														
Bus driver training program	87	87	36	82	35	92	16	89	10	91	63	91	14	70
Periodic driving check	55	55	25	57	22	58	8	44	5	45	38	55	12	60
Periodic physicals	86	86	41	93	32	84	13	72	11	100	61	88	14	70
Nothing special	1	1	1	2	0	0	0	0	0	0	1	1	0	0
Other	2	2	1	2	1	3	0	0	0	0	0	0	2	10
No response	4	4	3	7	1	3	0	0	0	0	3	4	1	5

^a Aggregate Responses.

that all school divisions considered the price of insurance in selecting agents or brokers.

Medium size divisions reported the highest proportion who selected agents or brokers on the basis of skills and competencies necessary (34%) and large divisions the lowest proportion (17%). Large school divisions reported the highest percentage who utilized a committee of area agents (33%), local agents or brokers (33%), and bidding (61%).

Average expenditure divisions reported the highest proportion who selected agents on the basis of skills and competencies necessary (33%). Below average expenditure divisions utilized bidding in the highest proportion (64%) and selected agents or brokers on the basis of skills and competencies in the lowest proportion (18%).

These and other data are summarized in Table 18.

Information Item 5--This item was designed to determine how often independent commercial firms appraise school division property.

School divisions were asked how often outside appraisal was done by an independent commercial firm and could reply: every year, every five years, every ten years, or outside appraisal was not made.

Of the 104 school divisions who returned the questionnaire, all answered question number 17 which pertained to information item 5. Sixty school divisions (58%) reported outside appraisal was not made, 18 indicated it was done every five years, 17 every year, and 8 every ten years. The other responses (7) were scattered between five and ten years.

Table 18

Summary of Responses for Information Item 4: Selection of Agents or Brokers, for All School Divisions and by School Division Size and Expenditure Per Pupil^a

	All School Divisions		School Division Size						Expenditure Per Pupil					
	Re- sponse	Percent	Small Under 3000 N=47		Medium 3000 - 10,000 N=39		Large over 10,000 N=18		Below Average Under 900 N=11		Average 900 - 1100 N=72		Above Average Over 1100 N=21	
			Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent
Information Item 4	102		46		38		18		11		70		21	
School Division Response														
Skills and competencies	29	28	13	28	13	34	3	17	2	18	23	33	4	19
Committee of area agents	16	16	4	9	6	16	6	33	0	0	11	16	5	24
Local agents or brokers	28	27	12	26	10	26	6	33	3	27	20	29	5	24
Bidding	45	44	21	46	13	34	11	61	7	64	29	41	9	43
Price not a factor	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
No response	2	2	1	2	1	3	0	0	0	0	2	3	0	0

^a Aggregate Responses.

Large divisions utilized outside appraisal on an annual basis less regularly than other divisions. There were little other differences between classifications in how often divisions had outside appraisal.

No below average expenditure divisions had outside appraisal by an independent firm either annually or every five years. Eighty-one percent reported no outside appraisal. Average expenditure divisions reported 54 percent who did not utilize outside appraisal.

These and other data may be seen in Table 19.

Information Item 6--Item 6 was designed to determine how insurance coverage that is necessary for only a portion of the year is handled.

School division officials were asked if they had property or rolling stock that did not require coverage for the whole year and, if they did, was a full premium paid or was it cancelled for that period when it was not in force. If coverage was not cancelled, divisions could indicate if it was part of a package plan.

Of the 104 school divisions who returned the questionnaires, 103 (99%) answered question 19 which pertained to information item 6. Only six school divisions did have property or rolling stock that did not require full year coverage but the full premium was paid. Forty-three percent had coverage as part of a package plan, while 25 percent reported insurance was cancelled for the portion of the year coverage was unnecessary. Twenty-five divisions reported the item was not applicable.

Table 19

Summary of Responses for Information Item 5: Frequency of Outside Appraisal, for All School Divisions and by School Division Size and Expenditure Per Pupil^a

	<u>All School Divisions</u>		<u>School Division Size</u>						<u>Expenditure Per Pupil</u>					
	Re- sponse	Percent	<u>Small</u>		<u>Medium</u>		<u>Large</u>		<u>Below Average</u>		<u>Average</u>		<u>Above Average</u>	
			Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent
Information Item 5	104		47		39		18		11		72		21	
<u>School Division Response</u>														
Every year	17	16	9	19	7	18	1	6	0	0	14	19	3	14
Every five years	18	17	10	21	5	13	3	18	0	0	15	21	3	14
Every ten years	8	8	3	6	4	10	1	6	1	9	4	6	3	14
Outside appraisal--none	60	58	27	57	23	59	10	59	9	81	39	54	12	61
Other	7	7	3	6	1	3	3	16	1	9	5	7	1	5
No response	0	0	0	0	0	0	0	0	0	0	0	0	0	0

^aAggregate Responses.

Large school divisions paid the full premium in greater proportion than medium size or small school divisions (12%) and cancelled policies when total year coverage was unnecessary in less proportion (17%). A greater percentage of medium size divisions included this coverage in a package plan than the other classifications (53%).

Only average expenditure divisions paid the full premium when not necessary (8%). Below average expenditure divisions included this coverage in a package plan (60%) more regularly and cancelled unnecessary coverage (30%) in greater proportion.

These and other data are summarized in Table 20.

Information Item 7--This item was designed to examine the role of the Virginia State Department of Education in assisting the public school divisions of Virginia in the administration of the risk management program.

School division officials were asked if the State Department of Education periodically disseminated risk and insurance data, was available as a consultant on risk and insurance matters, was of little assistance to school divisions, or what other role the State Department of Education played in assisting Virginia public school divisions.

Of the 104 questionnaires returned, 103 (99%) school divisions answered question 21 which pertained to information item 7. The State Department of Education was reported of little assistance by 66 school divisions. Twenty-six divisions reported that the department was available as a consultant and four indicated the

Table 20

Summary of Responses for Information Item 6: Cancellation of Coverage Necessary for Only
A Portion of the Year, for All School Divisions and by School Division Size
and Expenditure Per Pupil^a

	<u>All School Divisions</u>		<u>School Division Size</u>						<u>Expenditure Per Pupil</u>											
	Re- sponse	Percent	<u>Small</u>		<u>Medium</u>		<u>Large</u>		<u>Below Average</u>		<u>Average</u>		<u>Above Average</u>							
			Under 3000 N=47	Re- sponse	Percent	3000 - 10,000 N=39	Re- sponse	Percent	over 10,000 N=18	Re- sponse	Percent	Under 900 N=11	Re- sponse	Percent	900 - 1100 N=72	Re- sponse	Percent	Over 1100 N=21	Re- sponse	Percent
Information Item 6	103		47		38		18		10		72		21							
School Division Response																				
Not applicable	25	24	10	26	9	24	6	35	2	20	14	20	9	43						
Package plan	44	43	18	38	20	53	6	35	6	60	30	42	8	38						
Full premium paid	6	6	2	4	2	5	2	12	0	0	6	8	0	0						
Policies cancelled	26	25	11	23	12	32	3	17	3	30	19	26	4	19						
Other	8	8	6	13	1	3	1	6	0	0	8	11	0	0						
No response	1	1	0	0	1	3	0	0	0	0	1	1	0	0						

^aAggregate Responses

department disseminated valuable risk management and insurance data. All of the seven other responses commented that the State Department of Education was of no assistance.

No small or large school divisions reported the Department disseminated risk and insurance data while ten percent of the medium size divisions reported the dissemination of data. Medium size divisions received consultant assistance in the highest proportion (36%). Large (78%) and small (72%) divisions reported that the Department had been of little assistance compared to 49 percent for the medium size divisions.

The State Department of Education was reported having provided little assistance by a greater proportion of above average expenditure divisions (81%) than the average (63%) or below average (36%) expenditure divisions. Below average expenditure divisions reported receiving consultant assistance in greater proportion (45%).

These and other data are summarized in Table 21.

Information Item 8--This item was designed to examine the role of the Virginia State Insurance Commission in assisting the public school divisions of Virginia in the administration of the risk management program.

School division officials were asked if the Virginia State Insurance Commission periodically disseminated risk and insurance data, was available as a consultant on risk and insurance matters, was of little assistance to school divisions, or what other role the Virginia State Insurance Commission played.

Table 21

Summary of Responses for Information Item 7: Role of the Virginia State Department of Education, for All School Divisions and by School Division Size and Expenditure Per Pupil

	<u>All School Divisions</u>		<u>School Division Size</u>						<u>Expenditure Per Pupil</u>					
	Re- sponse	Percent	<u>Small</u>		<u>Medium</u>		<u>Large</u>		<u>Below Average</u>		<u>Average</u>		<u>Above Average</u>	
			Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent
Information Item 7	103		46		39		18		11		71		21	
School Division Response														
Disseminates information	4	4	0	0	4	10	0	0	1	9	3	4	0	0
Acts as a consultant	26	25	9	20	14	36	3	17	5	45	18	25	3	14
Little assistance	66	64	33	72	19	49	14	78	4	36	45	63	17	81
Other	7	7	4	9	2	5	1	6	1	9	5	7	1	5
No response	1	1	1	2	0	0	0	0	0	0	1	1	0	0

Of the 104 returned questionnaires, 100 (96%) answered question 22 which pertained to information item 8. The State Insurance Commission was reported of little assistance by 58 school divisions. Of the other divisions, 30 reported that the Commission had been available as a consultant, and 13 reported the Commission disseminated valuable risk management and insurance data. Of the five other responses, four reported the Commission had been no help.

The State Insurance Commission was reported providing little assistance by a greater proportion of large divisions (71%). Medium size divisions reported receiving consultant assistance in greater proportion (44%) while large school divisions reported receiving dissemination of data (6%) and consultant assistance (18%) in the least proportion.

Divisions classified as above average in per pupil expenditure reported receiving little assistance in the greatest proportion (75%) and consultant advice in the least proportion (15%), while those classified as below average reported no dissemination of insurance and risk management data. Divisions classified as below average expenditure divisions reported the greatest proportion receiving consultant advice (64%).

These and other data are summarized in Table 22.

Information Item 9--This item was designed to identify problems within the risk and insurance program in school divisions.

School division officials were given three common risk and insurance problems: 1) the selection of agents or brokers; 2) the

Table 22

Summary of Responses for Information Item 8: Role of the Virginia State Insurance Commission, for All School Divisions and by School Division Size and Expenditure Per Pupil^a

	All School Divisions		School Division Size						Expenditure Per Pupil					
	Re- sponse	Percent	Small Under 3000 N=47		Medium 3000 - 10,000 N=39		Large over 10,000 N=18		Below Average Under 900 N=11		Average 900 - 1100 N=72		Above Average Over 1100 N=21	
			Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent
Information Item 8	100		44		39		17		11		69		20	
School Division Response														
Disseminates risk and insurance data	13	13	7	16	5	13	1	6	0	0	11	16	2	10
Acts as a consultant	30	30	10	23	17	44	3	18	7	64	20	29	3	15
Little assistance	58	58	29	66	17	44	12	71	3	27	40	58	15	75
Other	5	5	3	7	1	3	1	6	1	9	3	4	1	5
No response	4	4	3	7	0	0	1	6	0	0	3	4	1	5

^a Aggregate Responses.

lack of knowledge of insurance; and 3) insurance contract language, and asked to indicate those they considered most troublesome. They could also add other, or no problem existed.

Of the 104 questionnaires returned, 100 (96%) school divisions answered question 23 which pertained to information item 9. Insurance contract language was reported to be troublesome by 39 school divisions while 28 identified a lack of insurance knowledge as troublesome. Agent or broker selection was identified as a problem by eight school divisions. No problem with the risk management program was reported by 49 school divisions.

Small school divisions reported the highest proportions in each of the problems listed. A smaller percentage of large divisions indicated problems with insurance knowledge (11%) or contract language (22%). Large divisions reported no problem with the risk management program in the highest proportion (67%).

A majority of the above and below average expenditure divisions reported no problem with the risk management program (65 and 55, respectively) while average expenditure divisions reported problems with insurance knowledge (45%) and insurance contract language (45%) in the greatest proportion.

These and other data are summarized in Table 23.

Table 23

Summary of Responses for Information Item 9: Identification of Problems Within the Risk and Insurance Program in Virginia Public School Divisions, for All School Divisions and by School Division Size and Expenditure Per Pupil^a

	All School Divisions		School Division Size						Expenditure Per Pupil					
	Re- sponse	Percent	Small Under 3000 N=47		Medium 3000 - 10,000 N=39		Large Over 10,000 N=18		Below Average Under 900 N=11		Average 900 - 1100 N=72		Above Average Over 1100 N=21	
			Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent
Information Item 9	100		43		39		18		11		69		20	
School Division Response														
Agent/Broker selection	8	8	5	12	2	5	1	6	2	18	5	7	1	5
Lack of insurance knowledge	28	28	16	37	10	26	2	11	2	18	22	32	4	20
Insurance contract language	39	39	19	44	16	41	4	22	5	45	31	45	3	15
No problem	49	49	18	42	19	49	12	67	6	55	30	43	13	65
Other	3	3	1	2	1	3	1	6	0	0	1	1	2	10
No response	4	4	4	9	0	0	0	0	0	0	3	4	1	5

^aAggregate Responses.

Information Item 10--This item was designed to determine what activities are needed to assist school divisions in administering the risk and insurance program.

School division officials were asked to indicate if the activities listed would be worthy of consideration to assist them in administering the risk and insurance program. These activities were: a resource person from a state agency, a special insurance handbook, and special inservice workshops. School divisions were encouraged to suggest others or indicate no need for any activities was necessary.

All 104 divisions answered question 24 which pertained to information item 10. The need for an insurance handbook developed specifically for Virginia school administrators was reported by 72 school divisions. The need for inservice workshops was indicated by 57 school divisions and 37 reported that a person from a state agency to act as a resource person would be of assistance. Only nine indicated no need for any activities. There were 20 other responses: 14 expressed concern with the price of insurance, and 12 of the 14 stated that help with insurance was needed. Little divergence in other responses was noted when school size and expenditure per pupil were considered.

A larger percentage of small divisions indicated need for a person from a state agency to act as a resource (40%) while a greater percentage of medium size divisions expressed need for a special insurance handbook (72%) and inservice workshops (62%).

A greater proportion of schools classified as below average in per pupil expenditure reported that a special insurance handbook would be of assistance (82%) than the other classifications. A greater percentage of below average expenditure divisions indicated a need for a resource person from a state agency (45%).

These and other data are summarized in Table 24.

Summary of the Data

The data were collected, tabulated, and reported in percentages. Below is a summary of the data for all school divisions and by school division size and expenditure per pupil. Comparisons are made using the number and percentage of school divisions who met criteria, the average number of criteria met, and the proportion that met each criteria.

The summary of the data is divided into two sections. In the first section, data for all school divisions and by school division size and expenditure per pupil are presented. In the second section, data pertinent to risk management functions are presented for all school divisions and by school division size and expenditure per pupil.

Summary of the Data for All School Divisions and by School Division Size and Expenditure Per Pupil

Table 25 illustrates the number and percentage of school divisions who met criteria and the average number of criteria met for all

Table 24

Summary of Responses for Information Item 10: Recommended Activities for Risk Management Improvement, for All School Divisions and by School Division Size and Expenditure Per Pupil^a

	All School Divisions		School Division Size						Expenditure Per Pupil					
	Re- sponse	Percent	Small Under 3000 N=47		Medium 3000 - 10,000 N=39		Large Over 10,000 N=18		Below Average Under 900 N=11		Average 900 - 1100 N=72		Above Average Over 1100 N=21	
			Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent	Re- sponse	Percent
Information Item 10	104		47		39		18		11		72		21	
School Division Response														
Resource person from state agency	37	36	19	40	12	31	6	33	5	45	27	38	5	24
Special handbook	72	70	32	68	28	72	12	67	9	82	50	69	13	62
Inservice workshops	57	55	22	47	24	62	11	61	6	55	39	54	12	57
None of the above	9	9	6	13	2	5	1	6	1	9	7	10	1	5
Other	20	19	7	15	11	28	2	11	3	27	12	17	5	24
No response	0	0	0	0	0	0	0	0	0	0	0	0	0	0

^a Aggregate Responses.

Table 25

Summary of Criteria Met for All School Divisions and by School
Division Size and Expenditure Per Pupil

No. of criteria met	All school divisions (N=104)			School Division Size									Expenditure Per Pupil								
				Small under 3000 N=47			Medium 3000 - 10,000 N=39			Large over 10,000 N=18			Below Average under 900 N=11			Average 900-1100 N=72			Above Average over 1100 N=21		
	f	cf	Cum. %	f	cf	Cum. %	f	cf	Cum. %	f	cf	Cum. %	f	cf	Cum. %	f	cf	Cum. %	f	cf	Cum. %
14	1	1	1	0	0	0	1	1	3	0	0	0	0	0	0	1	1	1	0	0	0
13	0	1	1	0	0	0	0	0	3	0	0	0	0	0	0	0	1	1	0	0	0
12	2	3	3	0	0	0	1	2	5	1	1	6	0	0	0	1	2	3	1	1	5
11	7	10	10	3	3	6	3	5	10	1	2	11	0	0	0	5	7	10	2	3	14
10	9	19	18	4	7	15	3	8	20	2	4	22	1	1	9	5	12	17	3	6	29
9	18	37	36	7	14	30	8	16	41	3	7	39	2	3	27	12	24	33	4	10	48
8	15	52	50	6	20	43	5	21	54	4	11	61	1	4	36	10	34	47	4	14	67
7	19	71	68	5	25	53	8	29	77	6	17	89	4	8	73	10	44	61	5	19	90
6	12	83	80	7	32	68	5	34	90	0	17	89	2	10	91	9	53	74	1	20	95
5	11	94	90	7	39	83	3	37	97	1	18	100	1	11	100	10	63	88	0	20	95
4	6	100	96	4	43	91	2	39	100	0	18	100	0	11	100	6	69	96	0	20	95
3	2	102	98	2	45	96	0	39	100	0	18	100	0	11	100	2	71	99	0	20	95
2	2	104	100	2	47	100	0	39	100	0	18	100	0	11	100	1	72	100	1	21	100
1	0	104	100	0	47	100	0	39	100	0	18	100	0	11	100	0	72	100	0	21	100
Avg. no. of criteria met	---	7.5	---	---	6.9	---	---	8.0	---	---	8.3	---	---	7.4	---	---	7.3	---	---	8.3	---

school divisions and by school division size and expenditure per pupil. These are summarized below.

All school divisions. All reporting school divisions met at least two criteria and half (50%) of the reporting school divisions met at least eight criteria. Only one school division met all fourteen criteria. Three divisions met more than eleven criteria. Only seven percent of the school divisions met more than eleven or less than five criteria. The average number of criteria met for all school divisions was 7.5.

School division size. All reporting large school divisions met at least five criteria, compared to 97 percent for medium size school divisions and 83 percent for small divisions. Large school divisions met seven (89%) and eight (61%) criteria in greater percentage than the other classifications. There was little difference between large and medium size divisions when more than eight criteria were considered. Small school divisions generally met criteria in lower proportions and reported no divisions meeting more than eleven criteria. Small divisions averaged 6.9 criteria met compared to 8.0 for medium size and 8.3 for large divisions.

School division expenditure per pupil. School divisions classified as above average in per pupil expenditure generally met criteria in higher proportion than either average or below average expenditure divisions. Below average expenditure divisions reported higher

proportions of divisions meeting seven or less criteria but lower proportions meeting more than seven criteria when compared to average expenditure divisions. No below average divisions reported meeting more than ten criteria, while seven average expenditure divisions (10%) met more than ten criteria, and one met all fourteen criteria. Above average expenditure divisions reported the highest average number of criteria met (8.3). Below average expenditure divisions reported 7.4, and average expenditure divisions 7.3, average number of criteria met.

These and other data are summarized in Table 25.

Summary of Risk Management and Insurance
Functions for All School Divisions and
by School Division Size and Expenditure
Per Pupil

In this section the established criteria were classified by risk management and insurance function. Classification was difficult since some criteria were multi-functional. Risk management functions and appropriate criteria are listed below:

<u>Risk Management Function</u>	<u>Criteria</u>
Risk Management Administration	1, 3, 5, 6
Record Keeping	2, 4
Loss Prevention and Safety	7, 8, 9, 10
Insurance Practices	11, 12, 13, 14

The proportion of school divisions who met each criterion for all school divisions and by school division size and expenditure per

pupil is presented in Table 26. The data that are pertinent to each risk management function were aggregated and are reported below. The percentage of school divisions meeting each criteria within each risk and insurance function was utilized to make comparisons. Comparisons were made between risk management functions as well as within classifications of school division size and expenditure per pupil. Comparisons are illustrated in Figures 2, 3, and 4.

All school divisions. Figure 2 graphically illustrates the percentage of school divisions who met each criterion within each risk management functions, as well as the mean percent for each function. School divisions performed the risk management administration function more effectively than the other three functions. Criterion 1 (risk management responsibility) was met by a greater percentage (91%) than any of the thirteen remaining criteria while criterion 5 (establishment of risk management policy (83%) and criterion 6 (annual review of program (78%)), ranked second and third, respectively. The mean percentage of school divisions meeting the four risk management administration criteria was 78 percent.

School divisions performed the record keeping function more effectively than insurance practices or loss prevention and safety functions but less effectively than risk management administration. Criterion 2 (maintaining up-to-date records) was met by 78 percent of the school divisions. The mean percentage of school divisions meeting record keeping functions criteria was 70 percent.

Table 26

Summary of the Application of the Established Criteria to Risk Management Practices for All School Divisions, and by School Division Size and Expenditure Per Pupil

Criterion	All School Div'ns. (N=104)			School Division Size									Expenditure Per Pupil								
	Re- sponse	Met Crit.	%	Small Over 3000 N=47			Medium 3000 - 10,000 N=39			Large Over 10,000 N=18			Below Average Under 900 N=11			Average 900 - 1100 N=72			Above Average Over 1100 N=21		
				Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%	Re- sponse	Met Crit.	%
1	103	94	91	46	41	89	39	36	92	18	17	94	11	10	91	71	64	90	21	20	95
2	103	80	78	46	33	72	39	30	77	18	17	94	11	10	91	71	53	75	21	17	81
3	104	60	58	47	24	51	39	24	62	18	12	67	11	5	45	72	41	57	21	14	67
4	100	61	61	43	25	58	39	24	62	18	12	67	11	7	64	70	41	59	19	13	68
5	104	86	83	47	39	83	39	34	87	18	13	73	11	11	100	72	59	82	21	16	76
6	104	81	78	47	34	72	39	31	79	18	16	89	11	8	73	72	54	75	21	19	90
7	101	50	50	44	17	39	39	21	54	18	12	67	11	8	73	70	29	41	20	13	65
8	103	40	39	47	15	32	39	15	38	17	10	59	11	3	27	71	26	37	21	11	52
9	102	29	28	46	9	20	39	13	33	17	7	41	11	1	9	70	21	30	21	7	33
10	101	14	14	47	3	6	38	5	13	16	6	38	11	1	9	69	8	12	21	5	24
11	104	24	23	47	5	11	39	7	18	18	12	67	11	3	27	72	14	19	21	7	33
12	102	71	70	46	33	72	38	25	66	18	13	72	11	7	64	70	47	67	21	17	81
13	103	65	63	47	30	64	38	25	66	18	10	56	10	8	80	72	42	58	21	15	71
14	104	35	34	47	13	28	39	16	41	18	6	33	11	3	27	72	25	35	21	7	33
Avg. no. of criteria met	----- 7.5 -----			----- 6.9 -----			----- 8.0 -----			----- 8.3 -----			----- 7.4 -----			----- 7.3 -----			----- 8.3 -----		

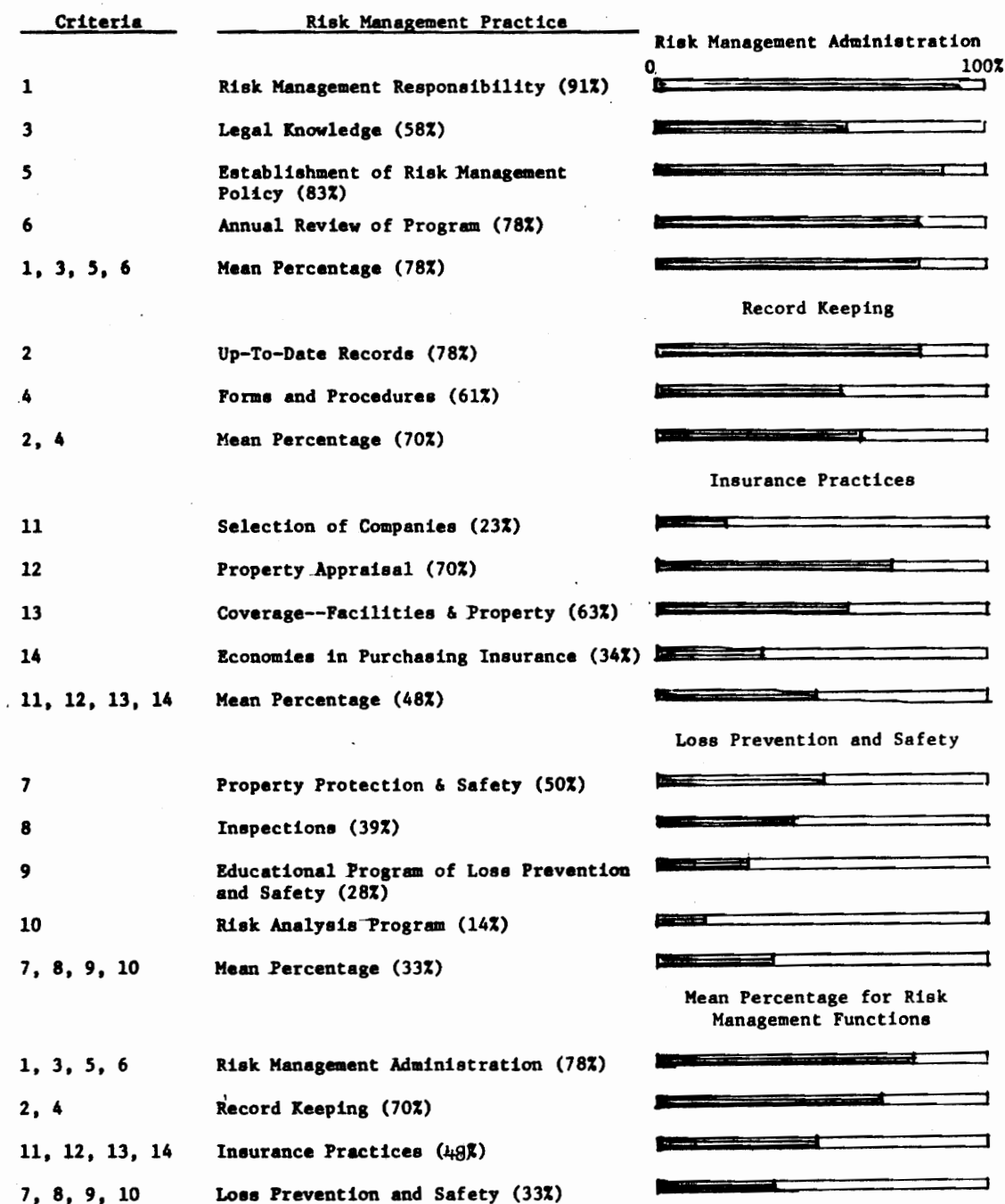
Risk Management Functions

Figure 2. School Division Effectiveness in Performing Risk Management Functions: Mean Percentages Meeting Criteria Within Functions and Comparison of Mean Percentages for All Functions.

The insurance practices function was performed effectively by less than half (48%) of responding school divisions. Only 34 percent met criterion 14 (economies in purchasing insurance) and just 23 percent met criterion 11 (selection of companies).

One-third (33%) of all school divisions met criteria classified within the loss prevention and safety function. Although half (50%) of the school divisions met criterion 7 (property protection and safety) only 14 percent met criterion 10 (risk analysis program). Comparisons between all risk management functions may be seen in the graph labeled, "Mean Percentage for Risk Management Functions."

School division size. Figure 3 illustrates the mean percentage of school divisions who met each criterion within each risk management function when school division size was considered. Large school divisions performed each risk management function more effectively than either medium size or small divisions. Large school divisions reported higher mean percentages for each function than the other classifications. Only in the risk management administration function where large school divisions reported a mean of 81 percent compared to 80 percent for medium size and 74 percent for small divisions, were there less than eight percentage points between large divisions and either of the other classifications. Small school divisions were least effective in all four risk management functions. The differences between small and medium size divisions averaged only five percent in functions other than loss prevention and safety where medium size

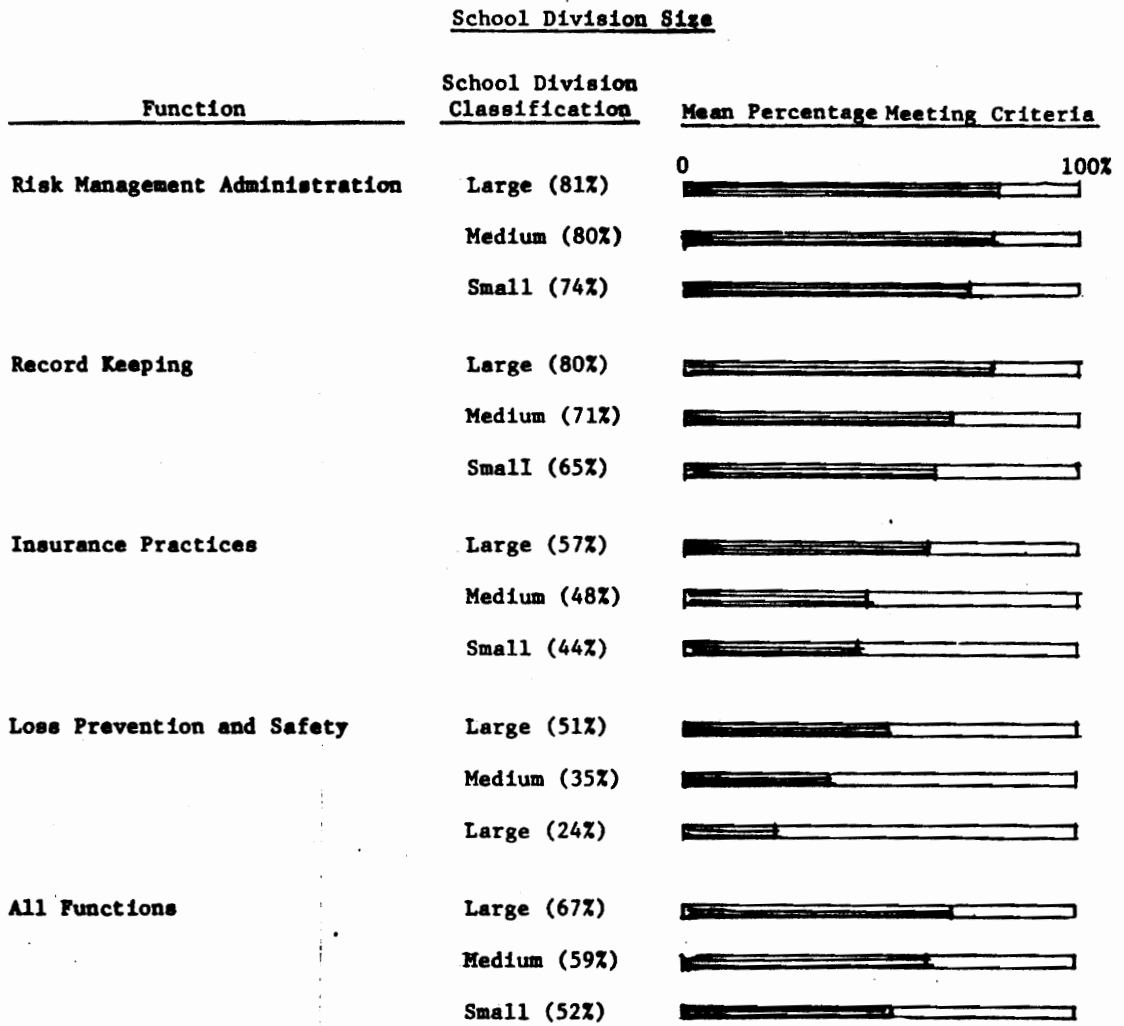


Figure 3. School Division Effectiveness in Performing Risk Management Functions by School Division Size: Mean Percentages Meeting Criteria Within Functions and Comparisons of Mean Percentages for All Functions by School Division Size.

divisions reported 35 percent meeting criteria within that function compared to 24 percent for small divisions. Large divisions reported a mean of 67 percent meeting all functions compared to 59 percent for medium size and 52 percent for small divisions.

Expenditure per pupil. Figure 4 illustrates the mean percentage of school divisions who met each criterion within each risk management function when expenditure per pupil was considered. Above average expenditure divisions performed risk management administration (82%), insurance practices (55%), and loss prevention and safety functions (44%) more effectively than other classifications while below average expenditure divisions were more effective in performing the record keeping function of risk management (78%). The differences between all classifications were more than 11 percent in only loss prevention and safety where the mean percent for above average expenditure divisions was 14 percentage points higher than both average and below average expenditure divisions. Below average expenditure divisions performed risk management practices more effectively than average expenditure divisions in all but loss prevention and safety where each reported a mean of 30 percent. Differences were slight between average and below average expenditure division in the insurance practices (5%) and risk management administration functions (1%) but were substantial in record keeping (11%). For all functions, above average expenditure divisions reported a mean of 64 percent compared to 59 percent for below average and 55 percent for average expenditure divisions.

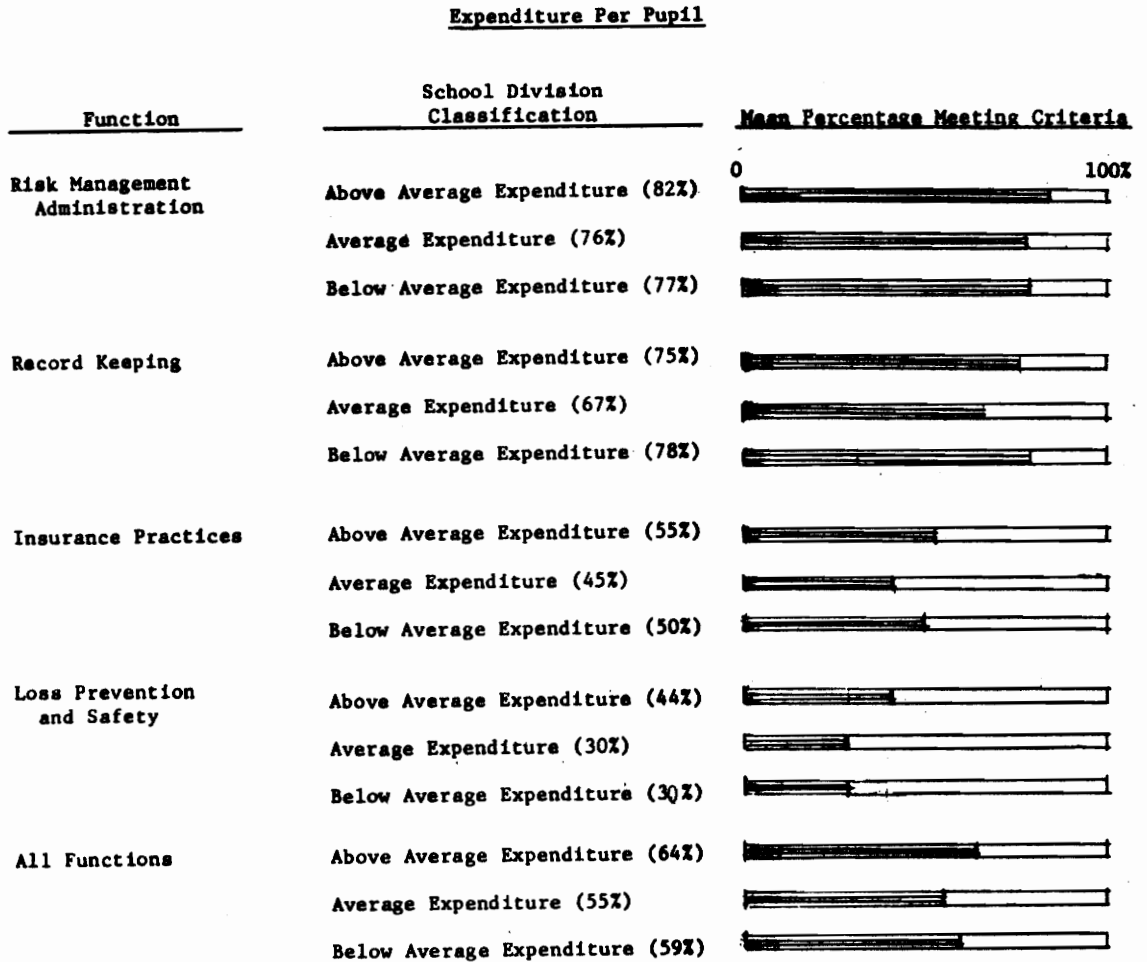


Figure 4. School Division Effectiveness in Performing Risk Management Functions by School Division Expenditure Per Pupil: Mean Percentages Meeting Criteria Within Functions and Comparisons of Mean Percentages for All Functions by Expenditure Per Pupil.

Chapter VI

CONCLUSIONS, RECOMMENDATIONS, AND COMMENTS RELATED TO THE STUDY

The purposes and objectives of the study were: (1) to examine the risk management practices of the public school divisions of Virginia, (2) to probe the relationship between school divisions size and risk management practices in the public school divisions of Virginia, (3) to probe the relationship between expenditure per pupil and risk management practices in the public school divisions of Virginia, (4) to examine the roles of the State Department of Education and the State Insurance Commission in assisting the public school divisions of Virginia in the administration of the risk management program, (5) to identify the legal mandatory requirements for insurance provisions in the public school divisions of Virginia, and (6) to make recommendations for the improvement of the risk management program in the public school divisions of Virginia.

In this chapter the conclusions of the study, based on an analysis of the data, a search of the literature, and interviews with representatives of the various agencies responsible for risk management are reported and recommendations put forth to local school divisions and various state agencies. Recommendations for further study are provided. In addition, comments related to the study are offered. The chapter has been organized as follows:

1. Conclusions from the data
2. Recommendations to state agencies and local school divisions
3. Recommendations for further study
4. Comments related to the study

Conclusions from the Data

Since the criteria applied to Virginia public school division risk management practices were based on sound risk management principles each criterion that was met by a majority of school divisions was reported as a sound policy or practice. Where a majority of school divisions did not meet a criterion, a questionable policy or practice was reported. A summary of the relationship of school division size and expenditure per pupil to risk management practices is provided. In addition, conclusions from the data for the ten information items are presented. The conclusions from the data are presented as follows:

1. Sound policies and practices in the public school divisions of Virginia.
2. Questionable policies and practices in the public school divisions of Virginia.
3. Summary of policies and practices reported in Virginia public school divisions.
4. Relationship of school division size to risk management practices.
5. Relationship of expenditure per pupil to risk management practices.
6. Other findings.

Sound Policies and Practices in the Public
School Divisions of Virginia

Where at least fifty percent of the responding school divisions met a criterion it is reported as a sound practice. Responses to the questions related to each established criterion revealed that the public school divisions of Virginia utilized the following sound policies and practices in the management of their risk and insurance programs.

1. The responsibility for the risk management and insurance program was generally delegated by the board of education to one school official. In seventy-five percent of the school divisions that person was the superintendent.

2. School division officials generally demonstrated attention to the legal requirements for insurance. Better than half (58%) periodically read three recommended sources.

3. In the majority of school divisions (83%) Virginia school boards established broad policy to guide school division officials in managing the risk and insurance program.

4. Most Virginia public school divisions reviewed the risk management program annually (78%).

5. Property appraisal was updated annually in seventy percent of Virginia public school divisions.

6. Up-to-date records of the school division risk management program generally were established and maintained. Seventy-eight percent of Virginia public school divisions kept a central file for insurance records.

7. There was generally a satisfactory method of reporting accidents as well as liability and property losses in the public school divisions of Virginia. Sixty-one percent of the school divisions maintained forms and standard procedures for this purpose.

8. Property protection and safety were concerns in building planning as well as building alteration and maintenance in fifty percent of the school divisions.

9. Sixty-three percent of Virginia public school divisions purchased insurance at replacement value of property and facilities being protected.

Questionable Policies and Practices in the
Public School Divisions of Virginia

Where less than fifty percent of responding school divisions met the criterion questionable policies and practices were reported. Responses to the question related to each established criterion revealed the following questionable policies and practices were utilized by Virginia's public school divisions.

1. The financial strength and qualification of insurance companies were not generally determined by Best's, Spectator, or similar ratings. In only twenty-three percent of the divisions were Best's, Spectator, or similar ratings utilized. Many school divisions relied solely on agents or brokers.

2. Sixty-six percent of Virginia's public school divisions did not consider all appropriate coverages or economies in purchasing insurance. Although many school divisions considered blanket coverage,

or package plans, or deductible, few considered all or even two of the above when purchasing insurance.

3. Fire, safety, and hazard inspections were not conducted with adequate frequency. Only thirty-nine percent of the school divisions conducted inspections at least three times a year.

4. Educational programs of loss prevention and safety did not exist in most school divisions. Only twenty-nine percent reported a program existed.

5. Risk analysis programs were operable in only fourteen percent of Virginia public school divisions. Reports were not utilized to analyze risk. Many divisions depended solely on inspections.

Summary of Policies and Practices Reported in Virginia Public School Divisions

An examination of the sound and questionable policies and practices in Virginia public school divisions revealed the following:

1. Virginia public school divisions generally maintained sound policies and practices in the functions classified as risk management administration. Sound policies and practices were reported in the four practices classified as risk management administration. Seventy-eight percent of the school divisions met criteria classified as risk management administration.

2. Virginia public school divisions generally maintained sound record keeping practices. Both practices classified as record keeping functions were reported as sound. Seventy percent of the school divisions met criteria classified as record keeping.

3. Virginia public school divisions were not as effective in the insurance practices and loss prevention and safety functions of risk management. Two of four practices classified as insurance practices were reported as questionable. Three of four practices classified as loss prevention and safety were reported as questionable. Forty-eight percent of the school divisions met criteria classified as insurance practices while only thirty-three percent met criteria classified as loss prevention and safety.

Relationship of School Divisions Size to Risk Management Practices

The data were examined and comparisons made between classifications of school divisions size. The proportion of school divisions meeting each criterion has been reported in Chapter V. Further comparisons may be seen in Table 27.

Table 27 indicates that school divisions size appears related to risk management practices in Virginia public school divisions in the following manner.

Large divisions performed risk management practices more effectively than medium size or small divisions. As previously reported, large divisions generally met each criterion in higher proportions than the other classifications. Large divisions averaged 8.3 criteria met, reported eleven of fourteen sound practices, and were more effective in each risk management function. Large divisions reported a mean of sixty-seven percent meeting criteria for all risk management functions.

Table 27

A Comparison of Risk Management Effectiveness by School Division
 Size: Average Number of Criteria Met, Sound Practices,
 and Mean Percentage for All Functions

School division size	Average number of criteria met	Sound practices	Mean percentage for all functions
Large	8.3	11	67
Medium	8.0	9	59
Small	6.9	8	52

Small divisions performed risk management practices less effectively than the other classifications. As previously reported, small divisions generally met each criterion in less proportion than the other classifications of school divisions size. Small divisions reported the lowest average number of criteria met (6.9) and reported eight of fourteen sound practices. Small school divisions reported a mean of fifty-two percent meeting criteria for all risk management functions.

Medium size divisions performed risk management practices more effectively than small divisions but less effectively than large divisions. As previously reported, medium size divisions generally met each criterion in higher proportion than small divisions, met an average of 8.0 criteria, and reported nine of fourteen sound practices. Medium size divisions reported a mean of fifty-nine percent meeting criteria for all risk management functions.

Relationship of School Division Expenditure Per Pupil to Risk Management Practices

The data were examined and comparisons made between classifications of expenditure per pupil. The percentage of school divisions meeting each criterion has been reported in Chapter V. Further comparisons may be seen in Table 28.

Table 28 indicates that school division expenditure per pupil appears related to risk management practices in Virginia's public school divisions in the following manner.

Table 28

A Comparison of Risk Management Effectiveness by School Division
 Expenditure Per Pupil: Average Number of Criteria Met, Sound
 Practices, and Mean Percentage for All Functions

Expenditure per pupil	Average number of criteria met	Sound practices	Mean percentage for all functions
Above average expenditure division	8.3	11	64
Average expenditure division	7.3	8	55
Below average expenditure division	7.4	8	59

Above average expenditure divisions performed risk management more effectively than average or below average expenditure divisions. As previously reported, above average expenditure divisions generally met criterion in higher proportions than the other classifications. Above average expenditure divisions averaged 8.3 average number of criteria met, were more effective in three of four risk management functions, and reported sixty-four percent meeting criteria for all risk management functions. Of fourteen risk management practices, above average expenditure divisions reported sound practices in eleven.

Below average expenditure divisions performed risk management functions slightly more effectively than average expenditure divisions. Although both classifications reported eight sound practices below average expenditure divisions averaged 7.4 criteria met compared to 7.3 for average expenditure divisions, and, as previously reported, had higher percentages meeting criteria in three risk management functions. Only in loss prevention and safety where both reported thirty percent meeting criteria were they not more effective. Below average expenditure divisions reported a mean of fifty-nine percent for all functions compared to fifty-five percent for average expenditure divisions.

Other Findings

Responses to the ten information items were carefully examined. Where a majority of school divisions reported a policy or practice or put forth suggestions for the improvement of risk management these are reported in the subsection titled "Findings from data for information

items." In addition, the legal mandatory requirements for insurance provisions in Virginia identified in Chapter III are presented in the subsection, "Legal findings."

Findings from data for information items. Presented below are findings from the ten information items.

1. In a majority of school divisions (63%) risk managers lack training in insurance. None have training in risk management.
2. In a majority of school divisions (76%) officials checked policies for accuracy and concurrency. In forty-one school divisions (40%) policies were checked by the agent or broker and school person responsible.
3. Better driving and safety by school bus drivers was promoted in most school divisions. More than eighty percent had bus driver training programs and conducted periodic physicals for drivers. Fifty-five percent conducted periodic driving checks.
4. Agent/broker selection was not generally based on skills and competencies possessed. Only twenty-eight percent selected agents or brokers on skills and competencies possessed. In those school divisions which did not use bidding a committee of agents or a nonsystematic selection system was often utilized.
5. Fifty-eight percent of the school divisions did not use outside independent commercial firms to appraise property.
6. Only six percent of all school divisions paid the full premium on policies that required coverage for only a portion of the year. Forty-three percent included the above in a package plan.

7. Many school divisions regarded the State Department of Education as being of little assistance in risk management and insurance management. Sixty-four percent saw the Department as little assistance while twenty-five percent reported the Department acts as a consultant.

8. Many school divisions regarded the State Insurance Commission as being of little assistance in risk and insurance management. Fifty-eight percent saw the Commission as little assistance while thirty percent reported they act as a consultant.

9. Nearly half of Virginia's public school divisions (49%) reported they felt no problems existed within the risk and insurance program. Problems with insurance contract language and lack of insurance knowledge were reported as problems by thirty-nine and twenty-eight percent respectively.

10. A majority of school officials identified a special insurance handbook (70%) and inservice workshops (55%) as worthy of consideration to assist school divisions in administering the risk and insurance program.

Legal findings. An examination of the related literature, state statutes, court cases, and Opinions of the Attorney General identified the following were the current legal conditions affecting insurance provisions in Virginia's public school divisions:

1. School boards had the authority to provide necessary insurance.
2. The choice of whether or not to carry fire or liability insurance was a decision for each school division to make.
3. The purchase of liability insurance did not constitute a waiver of governmental immunity.
4. School boards had the authority to provide self-insurance

for liability but not property.

5. School boards had the authority to establish a system of pensions.

6. School boards had the authority to employ counsel to represent them in tort actions.

7. Workmen's Compensation was mandated in Virginia.

8. School boards were required to purchase school bus insurance within the limits of state statute.

9. Funds could be withheld from school divisions by the Superintendent of Public Instruction if school boards did not secure school bus insurance.

10. In situations involving school buses, governmental immunity was waived up to the financial limits of the statute.

11. The doctrine of governmental immunity or nonliability continued to be enforced in Virginia.

12. It was necessary for school divisions to exercise care in performing functions which were truly governmental and not proprietary.

13. When performing activities that were considered as proprietary, it was necessary for school boards to provide or insist on adequate insurance coverage for the activity.

14. Officers and employees of school boards were held personally liable for negligent acts.

15. Employees performing duties which were purely ministerial could be held liable for negligence and were not protected by governmental immunity.

16. Failure to perform a ministerial act raised a justifiable issue in a suit against the employee.

17. The ministerial/discretionary distinction was not always clear.

18. Employees who performed functions beyond the scope of their employment could be held liable for negligent acts.

19. Employees or school officers who committed intentional torts were held liable.

20. There was a rising number of lawsuits involving the concept of tort liability.

21. County school boards were not "persons" under § 1983 of the Civil Rights Act of 1871.

22. It was found that, nationwide, states continued to abrogate governmental immunity either by statute or through the courts.

Recommendations to State Agencies and Local School Divisions

Based on the conclusions from other data and interviews with those involved in risk management, recommendations for the improvement of risk management and insurance practices in the public school divisions of Virginia were submitted to the following State agencies:

1. The State Department of Education
2. The State Insurance Commission
3. The State Legislature
4. Local School Divisions

The State Department of Education

The State Department of Education should consider the following recommendations:

1. A study commission to investigate the merits of a state insurance program should be appointed.
2. A special insurance handbook for school division officials should be published and disseminated. The New York State Education Department presently publishes an excellent handbook, Insurance. It would be an excellent guide for the Department to follow.
3. An employee of the department to act as a resource person to local school divisions should be assigned. This person should have expertise in risk management and insurance. There is presently no department official responsible for risk management or insurance.
4. A central record system pertaining to risk management and insurance should be established and maintained.
5. Risk management and insurance information should be disseminated. A coordinated and consistent method of disseminating information is needed.
6. Accessibility and rapid dissemination of Opinions of the Attorney General of the Commonwealth to school divisions should be initiated and maintained. School divisions do not receive Opinions systematically nor are those received up to date.

The State Insurance Commission

The State Insurance Commission should cooperate with and assist the State Department of Education in the above activities. In addition the Commission should consider the following recommendations. They should:

1. Assist school divisions in securing preferred rates from rating bureaus where the cost-loss ratio would indicate reductions are realistic.

2. Expand the role of the Commission to include providing services to public school divisions. At present, their primary function is regulation of insurance companies and laws. This role is too narrow and limited.

The State Legislature

The State Legislature should become concerned with the economy and efficiency of school division insurance. The legislature should consider the following recommendations:

1. A study commission should be formed to investigate the possibility of a state insurance program in Virginia. The program that is presently operable in North Carolina should be examined.

2. Consideration should be given to amending present legislature which prohibits school divisions from setting aside funds for self-insurance of property or vehicles.

3. Study should be undertaken by the legislature to determine the number of legislators who profit from insurance commissions and how this may affect the control of school division insurance.

Local School Divisions

There are areas of the Virginia public school divisions' risk management program that need strengthening. Recommendations for local school divisions are provided under separate headings. These are:

1. Specific Recommendations
2. General Recommendations

Specific recommendations. A majority of Virginia public school divisions reported five questionable practices. Recommendations were offered to improve these risk management practices. These are presented below:

1. School division property should be inspected at least three times per year.
2. The financial strength and management ability of insurance companies should be considered using Best's, Spectator, or similar insurance rating publications.
3. All economies of insurance protection and coverage should be considered. Deductible, package plans, and blanket coverage should be considered when purchasing insurance.
4. Educational programs of loss prevention and safety need to be established and maintained. The use of teachers and administrators to assist in loss prevention and safety activities is desirable.
5. A risk analysis program should be part of the school division's risk management activities. Inspections, reports from key personnel, and a careful analysis of loss should be utilized on a regular basis.

General recommendations. The information items yielded findings which indicate areas of weakness in the risk management program. To strengthen those areas recommendations, based on sound risk

management principles, are given. In addition, strategies that the researcher feels would improve risk management programs in public schools throughout the Commonwealth are presented below.

1. Risk management and insurance workshops and other inservice activities should be organized. Many public school risk managers have no training in insurance and none have risk management training. In small divisions and sparsely populated areas workshops and inservice activities could be offered on a regional basis.

2. A statewide examination of the procedures for selection of agents, brokers, and carriers should be conducted. A survey conducted by the researcher revealed that of thirty insurance agents, randomly selected, fifteen agents reported they did not feel the distribution of insurance was open or fairly distributed. They also reported school divisions were not getting the best coverage at the best price. A fair and open method of agent/broker selection should be utilized by all school divisions. Specifications should be written describing the skills and competencies needed for the insurance business of the division. In those divisions that utilize bidding, specifications for the insurance business of the divisions should be carefully written and openly advertised. Selection of agent/brokers and companies should be based on cost effectiveness and efficiency of services.

3. The use of outside independent firms to appraise property at least every ten years should be considered.

4. The use of outside consultants, preferably those unable to receive commissions within the division, should be considered by

Virginia public school divisions.

5. Information concerning coverages, rates, property valuation, and other risk management functions should be gathered and disseminated so that school divisions may make comparisons. School division risk managers should initiate these activities.

Recommendations for Further Study

Study data and conclusions indicated that further study in risk management in Virginia's public school divisions was necessary.

The following were recommended for further study in risk management and insurance in Virginia public school divisions:

1. The condition under which self-insurance or no insurance is a viable alternative for school divisions should be investigated and results disseminated.

2. A close scrutiny of ratings and rating bureaus is necessary to assure school divisions that rates are being presented fairly and consistently throughout the Commonwealth.

3. The possibility of a State Insurance plan such as the one that presently is functional in North Carolina should be examined.

4. The cost effectiveness of school division risk management and insurance programs should be investigated.

5. Effective risk management appears to be related to school division size and expenditure per pupil. Further study should be undertaken to examine what those relationships are, why they exist, and what other factors affect risk management practices in Virginia's public school divisions.

The study yielded some findings that merit special attention. Listed below are findings of the study that either (a) did not appear consistent with findings discussed in the section of this chapter devoted to the relationship between school division size and expenditure per pupil and risk management practices, or (b) the researcher feels questions were raised that merit further study. Further study could be undertaken to determine why:

1. Below average expenditure divisions met the criterion related to keeping up-to-date records with more regularity than other classifications. If one assumes that it was because they had less wealth and needed to be more precise, it is difficult to explain why average expenditure divisions did not appear to keep up-to-date records at least as well as above average expenditure divisions.

2. Expenditure per pupil was related to reading legal sources.

3. All school boards of below average expenditure divisions established policy to guide those responsible for the risk management program.

4. Below average expenditure divisions insured facilities and property at replacement value with considerably more regularity than other classifications and large and average expenditure divisions utilized replacement value with less regularity.

5. School division officials with college courses in insurance were more prevalent in medium size and average expenditure divisions.

6. Average expenditure divisions reported the highest percentage of school division officials who had no insurance training while below average expenditure divisions reported the lowest proportion with no insurance training.

7. All below average expenditure divisions conducted periodic physicals for bus drivers.

8. Large and above average expenditure divisions reported receiving little assistance from State agencies in high proportion.

9. Those who indicated they felt no problem existed only reported 3.4 average number of criteria met while all school divisions averaged 7.5 criteria met.

10. Average expenditure divisions have the highest percentage who use Best's, Spectator, and similar ratings but also have the highest percentage who do not consider the financial strength and qualifications of companies when placing insurance.

11. There seems to be great divergence in assistance received from the State Department of Education and the State Insurance Commission when school division size and expenditure per pupil are considered.

Comments Related to the Study

In this section it is customary to comment on those aspects of the study that the researcher feels may be significant but cannot be

verified by the data, or to express remarks relative to the joy of the experience. I shall attempt neither of the above but will strive to communicate concerns about the study as well as its future use.

This researcher is openly critical of some study findings and, obviously, of the inferences that may be drawn from those findings. Although brave efforts were made to diminish the opportunity for school division officials to provide what may be akin to socially desirable responses, I fear that these efforts may have met with limited success. The questions raised in Chapter VI in the section titled, "Recommendations for Further Study" explicitly identified some inconsistencies in responses. Some of these may reflect the normal desires of those in administrative positions. Few administrators wish to appear less than efficient, offend those of higher status, or "stir up a hornet's nest."

In addition, some questionnaire items were less than perfect in measuring effectiveness of risk management practices. These items may have been based on constructs that are untenable. This was due, in large part, to the use of criteria to measure effectiveness. Although criteria served to transform a survey into a research study and to add a touch of empiricism, in truth, their use restricted flexibility and made measurement extremely difficult. To assume that a risk manager has knowledge of the legal requirements for insurance because he indicated periodically reading three legal sources does not, in retrospect, appear to be a valid assumption. To aggregate those responses and report that fifty-eight percent of Virginia school

division officials have legal knowledge of insurance only adds to the embarrassment. How diligently risk managers read the sources is nearly impossible to measure given the constraints of time, money and reality. How well inspections were conducted, property appraised, or policies checked raises the same issue. Although the information generated by the study can be used to improve risk management practices and is valuable for further study I suspect that the percentages of sound practices reported are inflated and may be misleading.

The problem created by this miscalculation may rest in the quest for the so-called "bottom line." What did the study show? What were the results? The study, in my judgment, may have no bottom line. Its strongest, most useful components are the "Search of the Literature" and the "Recommendations to Various State and Local Agencies." Chapter II, is a concise, coherent, and thorough exposition of public school risk management and insurance. It is, in my judgment, one of the best of its kind. When it was suggested that it be placed in the Appendix, I objected quite strenuously since, frequently, even fellow researchers do not read information relegated to the appendix. While this suggestion may have been without merit it probably would have had no deleterious effect on the study since, in reality, as long as it remains part of this dissertation, it will be read by few. The chances of the literature search being read by public school officials are slight.

If the study has a bottom line it is located in Chapter VI in the section titled, "Recommendations to Various State and Local Agencies."

These recommendations, if implemented, will result in improved risk management practices in Virginia public school divisions. Many recommendations are rather pedestrian and could be easily implemented. An excellent handbook could be easily developed. The state budget can probably stand the expense of another Department of Education employee or perhaps reassignment of duties would be sufficient. If the Department becomes active in risk management affairs, many other recommendations could be implemented.

Some recommendations may not be as easily dealt with. A statewide examination of the selection of agents or brokers is not likely. Who will request it? School board members and taxpayers should but they have "bigger fish to fry." The legislature is not likely to form a study commission to investigate the ramifications of a state insurance plan. It seems that such a study was conducted not long ago and shelved due to strong pressure exerted by the insurance lobby and the substantial number of legislators who profit from the insurance business. In all probability, the study, like most research done by graduate students, will be more beneficial to the researcher than to the intended beneficiary.

Having pointed out the deficiencies of the study I feel obliged to point out its strengths. The study has a larger sample, a more complete review of the literature, and more explicit recommendations than any public school risk management study encountered by this researcher. It should be mentioned that no study on risk management in public schools that endeavored to examine risk management

practices has been able to solve the problem of measurement discussed earlier in this section.

To those considering research in risk management I offer the following recommendations:

1. Avoid the use of risk management criteria to measure effectiveness of risk management practices. Although criteria for measurement is necessary and must be decided upon it should measure qualitatively as well as quantitatively.

2. Do not attempt to validate measurement criteria. This is unnecessary and will only serve to weaken the study.

3. Consider format that lends itself to being easily converted into a useful guide to school officials. This is commonly referred to as the "cookbook approach" and has more chance to receive support and ultimately be utilized to improve risk management practices.

4. Focus on the quasi-political, business aspects of public school insurance. There is a great need for research in this area.

The points mentioned in this section are a reflection of fourteen months of concentrated effort in the study of risk management practices in Virginia public school divisions. Hopefully, they will provide those interested with more insight into the study and assist those who will conduct further research.

Summaries of the study will be sent to all 71 school divisions who requested them. Summaries will include the data and information

judged by the researcher to be of significance to those involved in the improvement of risk management practices. Also included will be data relative to risk management effectiveness for each division. Summaries will be sent to members of state agencies and insurance specialists who requested them. A presentation of findings and discussion of the study will be presented at the Virginia Association of School Business Officials Spring Conference (1977).

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APPENDIX A

ESTABLISHED RISK MANAGEMENT CRITERIA

Established Risk Management Criteria

1. One school official shall be designated to assume the responsibility for the risk and insurance program.
2. The school risk management official should establish and maintain up-to-date records of the school division risk management program.
3. The individual responsible for the risk management program should have a knowledge of the legal requirements for insurance in the public school divisions of Virginia.
4. Necessary forms and standard procedures for reporting accidents, as well as liability and property losses, should be established and maintained by the individual responsible for the risk management program.
5. The Board of Education should establish a broad policy to serve as the guideline for the school insurance official in managing the school division insurance program.
6. The school division's risk management program should be reviewed annually.
7. Building planning, alterations, and maintenance should be carried out with property protection and safety a prime concern.
8. Fire, safety, and hazard inspections of the school division should be conducted by qualified division personnel at least three times a year.

9. The school division should establish and maintain an educational program of loss prevention and safety.

10. A risk analysis program should be operable which will analyze potential loss of property, damage to property, and liability responsibility of the school division.

11. The financial strength and qualifications of companies selected shall be determined by use of Best's, Spectator's, or similar ratings.

12. School division property appraisals should be updated annually.

13. School facilities and property other than rolling stock should be insured at replacement value.

14. In purchasing insurance; deductibles, package plans, and blanket policy coverages should be considered.

APPENDIX B

RISK MANAGEMENT QUESTIONNAIRE

Risk Management Questionnaire

Please read each question and check the response(s) which most accurately describes the risk management practices used by your school division. In many cases you may want to check more than one if the choices represent practices followed in your school division. In those cases where no response is appropriate, please use the other response with a short explanation of the practice that is utilized. If you would like a summary of the study please indicate this at the conclusion of the questionnaire. Please return the completed questionnaire in the self-addressed envelope. Your promptness will be appreciated.

1. Who assumes the responsibility for the risk and insurance program for the school division?

Superintendent

Assistant Superintendent

Committee of Agents

Committee of the School Board

Other (Specify) _____

2. What special training in insurance or risk management has the school official responsible for the risk management program had? Please check type of training and the approximate number of hours for each. Please also specify what type of other training and the number of hours or training received if that is applicable.

	<u>Hours</u>
<input type="checkbox"/> Insurance Workshops (Clock Hours)	_____
<input type="checkbox"/> College courses in Insurance (Credit Hours)	_____
<input type="checkbox"/> College Courses in Risk Management (Credit Hours)	_____
<input type="checkbox"/> Other (Specify) _____	_____
_____	_____
_____	_____

3. Please indicate what insurance records are maintained and how this is done.
- Insurance records are maintained for building value and contents only
- Insurance records are maintained for policies in force only
- Insurance records are maintained by the agent, broker, or school committee of agents. (If checked please underline who is responsible.)
- A central file is kept, recording the value of each building and its contents, and a schedule of the policies in force
- Other (Specify) _____
-
4. Please indicate which of the following are read periodically.
- Attorney General's Opinions on Virginia public school insurance
- Summaries or briefs of recent court cases affecting insurance in Virginia public schools
- The Virginia Code
- Legal bulletin on insurance published by NOLPE, AASA, and similar agencies
- Other (Specify) _____
-
5. Forms and procedures are established and maintained for reporting the following losses:
- Loss by accident
- Liability Loss
- Property Loss
- Building principals handle this in their own way
- Other (Specify) _____
-
6. Who checks each policy to see that it is accurate and up-to-date?
- The insurance agent or broker
- The committee of agents
- The school person responsible for risk management or insurance
- Policies are not checked for accuracy and concurrency
- Other (Specify) _____

7. Who establishes the policy for administering the risk and insurance program?
- Superintendent
- Assistant Superintendent
- School Board
- No policy is necessary
- Other (Specify) _____
8. How often does the school division review the total risk management program?
- Every year
- Every two years
- Every five years
- Seldom or never
- Other (Specify) _____
9. In which of the following areas are insurance protection and safety a regular part of planning?
- Building Planning
- Building Alteration
- Building Maintenance
- None of the above
10. How often do school division personnel conduct fire, safety, and hazard inspections in each school building?
- Once a year
- Twice a year
- Three times a year
- Four or more times a year
- Other (Specify) _____
11. What methods are utilized to prevent loss and promote safety in the school division?
- Administrators encourage safety and loss prevention for students and all school employees
- There is a planned program designed to prevent loss and promote safety

- The school has a safety week
- There is no planned program but a common sense approach utilizing classroom teachers is used
- Other (Specify) _____

12. What methods are utilized in promoting better driving and safety by school bus drivers?

- A bus driver training program is utilized in the district
- Periodic driving checks of all school bus drivers is maintained
- Periodic physicals of all school bus drivers are required
- Nothing special is done in this area
- Other (Specify) _____

13. What methods are used to analyze potential loss of property, damage to property, and liability responsibility of the school division?

- A program has been set up to do this
- Reports from key personnel are solicited
- Inspections are utilized for this purpose
- This analysis is done after a loss occurs
- No program exists for this purpose
- Other (Specify) _____

14. What method is used to determine the financial strength and qualifications of insurance companies with which the school division places its business?

- Recommendation of agent
- Recommendation of broker
- Use of Bests, Spectator, or similar rating either directly or through agent or broker
- Financial strength and qualifications of the company are not selection factors
- Other (Specify) _____

15. How are agents or brokers chosen in your school division?

- Chosen on the basis of skills and competencies needed by the school division
- Committee of area agents is utilized
- From local agents or brokers only
- Through the bidding process
- Price of insurance-agent or broker is not a factor
- Other (Specify) _____

16. How often are property appraisals made?

- Annually
- Every two years
- Every three years
- Seldom or never
- Other (Specify) _____

17. How often does an independent commercial firm appraise school division property?

- Every year
- Every five years
- Every ten years
- Outside appraisal is not made
- Other (Specify) _____

18. At what value are school division facilities and property, other than rolling stock, insured?

- Depreciation Value
- Actual Cash Value
- Replacement Value
- Other (Specify) _____

19. How is insurance coverage that is necessary for a portion of the year (some fleet insurance) handled?

- Have no property or rolling stock that does not require coverage for the whole year

- Do have property or rolling stock that does not require full year coverage but it is part of a package plan
 Do have property or rolling stock that does not require full year coverage but the full premium is paid
 Policies not in force for a full year are cancelled for the remainder of the year
 Other (Specify) _____
20. Which of the following are considered when purchasing insurance coverage?
- Deductible
 Package plans
 Blanket coverage
 None of the above
 Other (Specify) _____
21. What role does the State Department of Education play in assisting in the administration of the risk and insurance program in your school division?
- Periodically disseminates valuable insurance or risk management data
 Is available as a consultant on insurance or risk management matters
 Is of little assistance to school divisions
 Other (Specify) _____
22. What role does the State Insurance Commission play in assisting in the administration of the risk and insurance program in your school division?
- Periodically disseminates valuable insurance or risk management data
 Is available as a consultant on insurance or risk management matters
 Is of little assistance to school divisions
 Other (Specify) _____

23. Which of those listed below do you feel are problems within the risk and insurance program in your school division?

- Selection of agents/brokers
- Lack of knowledge of insurance
- Insurance contract language
- No real problem with program
- Other (Specify) _____

24. Which of the following would be worthy of consideration to assist you in administering the risk and insurance program?

- A person from a state agency to act as a resource
- A handbook of sound insurance practices developed specifically for Virginia school administrators
- A program of inservice workshops developed to meet the needs of Virginia school administrators
- See no need for any of the above
- Other (Please feel free to elaborate on back of page if necessary)

Title of person filling out report _____

Date _____

If you would like a summary of the report please check _____.

APPENDIX C

LETTERS TO SCHOOL DIVISION OFFICIALS

January 3, 1977

Dear Superintendent:

I am presently a doctoral candidate at Virginia Polytechnic Institute and State University in the area of educational administration. I am studying the risk management and insurance practices in the public school divisions of Virginia.

From the enclosed questionnaire, responses will be tabulated and reported by school division size and expenditure per pupil. A summary of the study, with recommendations, will be provided those schools requesting it. Results will also be disseminated at the spring VASBO conference. It is necessary to identify schools to report by size and per pupil expenditure but no individual school division will be identified in the study and complete confidentiality will be maintained.

The questionnaire requires only a check mark. If you or a member of your staff would carefully respond to each question and return the questionnaire in the self-addressed envelope within fifteen days, it would be very much appreciated. If you wish to receive a summary, please indicate on the questionnaire. If you have any questions please feel free to write or call (703-951-5642). Thank you for your assistance.

Sincerely,

James E. Sweeney
Graduate Student

JES/pb

Enclosures

2088 Derring Hall
VPI & SU
Blacksburg, VA 24061

January 24, 1977

Dear Superintendent:

In early January you should have received a questionnaire designed to analyze risk management and insurance practices in the public school divisions of Virginia. The response to the questionnaire has been excellent but some schools have not yet replied. I am attempting to gather information from all schools so that results will be truly representative of practices in Virginia's public school divisions.

Enclosed is a questionnaire and the original cover letter. Would you or a member of your staff please fill in and return in the self-addressed envelope?

Thank you for your assistance in this matter.

Sincerely,

James E. Sweeney
Graduate Student

JES/tls

Enclosures

APPENDIX D

QUESTIONNAIRE RETURN FOR ALL SCHOOL DIVISIONS
AND BY SCHOOL DIVISION SIZE AND
EXPENDITURE PER PUPIL

Questionnaire Return for All School Divisions
and by School Division Size and
Expenditure Per Pupil

Classification	Questionnaire		Percent of Usable Returns
	Sent	Returned	
ALL SCHOOL DIVISION	129	104	80
<u>School Division Size</u>			
Large	23	18	78
Medium	53	39	74
Small	53	47	89
<u>Expenditure Per Pupil</u>			
Above Average	25	21	84
Average	87	72	83
Below Average	17	11	65

VITA

Name: James Edward Sweeney

Birthdate and place: November 26, 1937, Dannemora, New York

EDUCATION

High School: St. John's Academy, Plattsburgh, New York

Undergraduate Work: State University College of New York at Plattsburgh, B.S. degree, 1965, Major in Education.

Graduate Work: State University of New York at Plattsburgh, M.S. degree, 1966, Major in Guidance and Counseling.

Virginia Polytechnic Institute and State University, Blacksburg, Virginia. Candidate for Ed.D. degree in Educational Administration, 1977.

PROFESSIONAL EXPERIENCE

- 1965-1966 Guidance Counselor, Brushton-Moira Central School, Brushton, N.Y.
- 1966-1967 High School Social Studies Teacher, Salmon River Central School, Fort Covington, New York.
- 1967-1973 High School Principal, St. Regis Falls Central School, St. Regis Falls, New York.
- 1973-1975 High School Principal, Norwood-Norfolk Central School, Norwood, New York.
- 1975-1977 Administrative Assistant to Division Director, Administrative and Educational Services, Virginia Polytechnic Institute and State University, Blacksburg, Va.

PROFESSIONAL ORGANIZATIONS

New York State Personnel and Guidance Association

Northern Zone Personnel and Guidance Association
(President, 1 year)

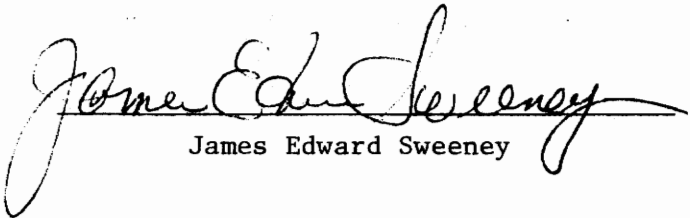
School Administrators Association of New York State

National Association of Secondary School Principals

Franklin County Economic Opportunity Council
(President, 3 years)

Association of School Business Officials

NOLPE



James Edward Sweeney

AN EXAMINATION OF RISK MANAGEMENT PRACTICES IN
THE PUBLIC SCHOOL DIVISIONS OF VIRGINIA
WITH RECOMMENDATIONS

by

James Edward Sweeney

(ABSTRACT)

The study was the first statewide study of risk management practices in the public school divisions of Virginia. The purposes of the study were to (1) examine the risk management practices of the public school divisions of Virginia, (2) probe the relationship between school division size and risk management practices in the public school divisions of Virginia, (3) probe the relationship between school division expenditure per pupil and risk management practices in the public school divisions of Virginia, (4) examine the roles of the Virginia State Department of Education and the State Commission of Insurance in assisting the public school divisions in the administration of the risk management program, (5) identify the legal mandatory requirements for insurance provisions in the public school divisions of Virginia, and (6) make recommendations for the improvement of the risk management program in the public school divisions of Virginia.

The legal mandatory requirements for insurance provisions were identified. Criteria for effective risk management were developed, validated by a panel of experts and those accepted used as the bases

for developing a questionnaire which also included information items designed to yield information for the improvement of risk management practices.

School divisions were classified by size and expenditure per pupil and a questionnaire sent to all 129 operating public school divisions in Virginia. Responses from 104 school divisions indicated that sound policies and practices were followed in these areas:

(1) risk management responsibility, (2) knowledge of the legal requirements for insurance, (3) establishment of risk management policy, (4) risk management program review, (5) property appraisal, (6) record keeping, (7) loss reporting, (8) property protection and safety, and (9) insurance coverage.

Questionable risk management practices were reported in the following areas: (1) fire, safety, and hazard inspections, (2) programs for loss prevention and safety, (3) risk analysis, (4) selection of insurance companies, and (5) economies in purchasing insurance.

School divisions performed risk management administration and record keeping functions effectively but were less effective in insurance practices and loss prevention and safety functions.

Large school divisions were more effective in performing risk management practices than medium-size or small divisions. Medium size divisions were more effective than small divisions in performing risk management practices.

Above average expenditure divisions were more effective in performing risk management practices than average or below average

expenditure divisions. Below average expenditure divisions were slightly more effective in performing risk management practices than average expenditure divisions.

The State Department of Education and the State Insurance Commission were reported to be of little assistance in the administration of the risk management program.

Results of the data related to the criteria and information items were used as a basis for making recommendations to the State Department of Education, the State Insurance Commission, the State Legislature, and local school divisions.