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STATE INSURANCE
OF
PUBLIC SCHOOL PROPERTIES

by

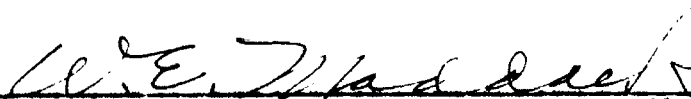
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University of Minnesota, 1918.

Presented in partial fulfillment of the
requirements for the degree of
Master of Arts.

State University of Montana

1935

Approved:



Chairman of Board
of Examiners.



Chairman of Committee
on Graduate Study

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PREFACE

Some ten years ago the attention of the writer was first directed to the plan of public property insurance protection adopted in North Dakota. The reduction of rates and consequently the premium payments on school property, during the past few years, increased the intensity of this interest and developed the germ of the idea to discover the extent other States had established and put into operation similar plans.

Data, in collected form on all State insurance attempts aiming to protect public or State property, should yield the essential facts of procedure that should be available to those States which may be contemplating such legislation, and should point out the pitfalls destructive to the success of State insurance plans. Within the limits imposed by the material available under the methods used in this study, and the writer's own limitations of capacity, this study of State and public property insurance has been carried out.

To enumerate the names of all who have given aid and assistance in this study would make an extensively long list with a possible unintentional omission of some. Acknowledgment of the help and assistance rendered by individuals and organizations is made to the extent that this is possible. The information given by those whose names are

not specifically mentioned is nevertheless appreciated.

From the faculty of the State University of Montana acknowledgment is given to Dean Freeman Daughters for stimulation and encouragement, to Dean R. C. Line for assistance in drawing up the questionnaire, to Mr. J. R. Ames, Mr. L. C. Tidball, Professor W. E. Maddock, and Professor H. K. Snell for valuable criticisms on content and arrangement of the manuscript. To the Commissioners for the various States and Possessions of the United States, many Superintendents of Public Instruction, and the managers of State insurance plans, appreciation is expressed for their kindness in answering the questionnaire, replying to letters of inquiry, and for the sending of published reports; to the United States Office of Education and the Insurance Society of New York for valuable bibliographical references; to the National Board of Fire Underwriters, and the Board of Fire Underwriters of the Pacific, for information relative to studies made on State insurance plans; and to various other authorities on insurance for information bearing on the study.

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CHAPTER I
INTRODUCTION

Reduction of the operating funds of the nation's schools through various factors but markedly from the effects of the depression, has directed study and investigation of all items of school expenditures with a view to discovering savings not heretofore recognized or considered. The ordinary citizen who reads the daily news organs is informed about the reductions made in salaries of administrators, janitors, and custodians--reductions in the outlays for repairs, re-finishing, remodeling, books, and other instructional material; he concludes that authorities have heeded his demands to reduce costs. There has been a less popular clamor for reducing expenses among other items as fuel, light, telephone, interest charges, insurance--largely because these costs are based on established rates granted to the utilities on a franchise basis and not readily amenable to the public clamor. The idea is gradually becoming evident that economies may be established among the so-called fixed charges of the budgetary items as is evident from the diversity of studies pertaining to them.

During the last decade the item of insurance on public school property has become a topic for investigation and study. Periodicals dealing largely with the administrative

phase of schools, and Departments of Education in the universities and colleges of the nation have lately recognized that here was a fertile field where needed research might be applied to discover if the status quo is satisfactory or to discover remedial measures, if unsatisfactory.

The studies recently undertaken on the problems connected with insurance of public school property have been few. Usually the larger city systems have been selected for intensive study from two view points--one group which maintains its own SELF-INSURANCE FUNDS, and the other group which buys fire-loss protection in a stock fire insurance company.

The SELF-INSURANCE FUND is possible only in city school districts sufficiently large to make it possible to have the school properties widely scattered to prevent conflagrations and where the loss of one unit represents but a small fraction of the value of the entire property owned by the school district. When the fund is first established the annual appropriations seem large in comparison with the annual insurance premiums that would be needed to carry protection in the standard stock fire insurance companies, but to establish the fund and to provide protection this need is admitted. If by a fortunate turn of chance no losses occur during the early years when the fund is being established the fund accumulates and, with interest added, becomes adequate to reimburse the district for any losses, and annual appropria-

tions then may be greatly reduced or discontinued. If the fund is invested in readily liquidable securities, interest earned may be left with the fund, used for repairs, or returned to the general fund.¹

Previous studies concerned with fire insurance of school property have come to the conclusions briefly reviewed in the following paragraphs. An attempt is made to review one of each type study in some detail. Writers covering similar matter and finding similar conclusions will be classified under the type study.

Melchior made the first comprehensive investigation of fire insurance limited to public school property in the State of New York and insured in the standard policies offered by insurance companies.² School boards were compelled by law to insure. The fire-loss records in rural districts were no greater than in protected areas and the rates on brick constructed buildings averaged but a few cents below frame construction. In the City of New York the average yearly loss for a five year period on 645 buildings was only .0091 per cent. of the \$143,020,145 value of buildings and contents.

-
1. See appendix for list of cities having self insurance funds, pp. 1-3.
 2. W. T. Melchior, Insuring Public School Property (New York City: Teachers College, Contributions to Education, #168, Columbia, 1925)

Over a five year period on 1,182 buildings and contents the indemnity collected on losses was \$223,587 or only about 35.6 cents for every dollar paid for insurance. On public school property the rates seem to be too high, or overhead costs of insurance companies are too high. Insurance companies have not gathered data for public schools alone to determine what fire insurance rates should be on this type of property. When 65¢ out of every dollar spent for fire insurance on school property remains with the company, careful consideration must be given to the problem of how this cost can be reduced. Melchior suggests that to reduce fire insurance premium costs the alternative may be State insurance or that fire losses be assumed by a larger unit than the local district.

State legislators have not given sufficient attention to the insurance problem as the study of school laws reveals. In 1925, the school laws of thirty states do not mention the insurance of school property, twelve make it a duty of the local board of education to insure, and nine say that they may insure.

Another intensive study on fire insurance as it relates to public school economy has been worked out by Smith.³ He analyzes case studies and formulates a theory of insurance.

3. Harvey A. Smith, Economy in Public School Fire Insurance (New York City: Teachers College, Contributions to Education, #428, Columbia, 1930)

State insurance, fire insurance rating systems, fire insurance methods and procedures are described. This work gives statistics of fire losses and city self-insurance systems.

Again in this study the statement is made that insurance companies do not consider public school buildings good risks possibly due to the grouping of these with colleges and other public buildings. However, no statistics are offered by the insurance companies to support this view.

The data in this investigation cover a ten year average in 65 cities of New York State. On a valuation of \$165,594,-136 for fire-resistive type buildings the average annual losses were \$21,589.39, or \$.014 for every \$100 of valuation. On a valuation of \$99,777,134 for ordinary construction type buildings the average annual fire loss per \$100 valuation was found to be \$.129. This actually proves that school buildings in New York State are better risks than the accepted ratings under which these structures are now classified.

Smith points out further that appraisal and inspection of property, removal of fire hazards, adopting the co-insurance clause, and spreading the insurance over a period of three to five years, so that premiums become due each year on only a portion of the property, are ways that can be used to reduce the present cost of insuring public school property in stock fire companies.

The self-insurance funds established by the larger

cities appear to have a very favorable experience. Since from 45 to 50 per cent. of the premiums paid to insurance companies must go for expenses if the company is to make a profit, it seems that by establishing self-insurance funds the cities get relatively more for their money and that they can administer these funds at a much smaller cost than can the insurance companies.

The conclusion is drawn that the cities through self-insurance funds and the states through State insurance could show material savings over the present method of insurance.

Numerous other articles in periodicals cannot be reviewed here because of the space that would be required, but may be referred to in the bibliography. In general, the findings are in accord with the two studies cited insofar as each author treats the particular phase of the insurance problem for which clarification was sought.

There appears to be no intensive published report on State insurance plans or funds. Articles in periodicals treat these in conjunction with other phases of the insurance problem. In the studies by Melchior and by Smith, already cited, these plans are briefly mentioned and the states listed that provided this type of insurance protection for its public structures and its school buildings at the time these studies were made. The experiences of these State plans are reported as favorable in that protection has been provided at minimum

cost to the insured.

In a work by McCahan on all the various types of State insurance to be found in the United States, one chapter defines State property insurance funds giving special consideration to emergency reserve appropriations and self-insurance funds.⁴ Most of this work, therefore, is concerned with other types of insurance than fire, such as workmen's compensation, personal liability, hail damage, etc. Fourteen states have emergency reserve funds and seven self-insurance funds.⁵

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4. David McCahan, State Insurance in the United States (Philadelphia, Pennsylvania: University of Pennsylvania Press, 1929)
 5. _____, "The State Goes into Insurance," Nations Business, February 1929, pp. 30, 204, 206, 208.

CHAPTER II
THE PROBLEM DEFINED

The intensive study of the subject STATE INSURANCE OF PUBLIC SCHOOL PROPERTIES is made with the purpose of finding answers to the following questions:

(1) How many States and Possessions of the United States are now operating a plan whereby the State acts as an insurance company and insures all state property?

(2) In the laws establishing State property insurance plans what rules, regulations and powers are specifically provided, and what discretionary powers are delegated to the managing officials?

(3) What is the operating experience of the different State property insurance plans?

(4) As regards the assured what advantage does the State plan of property insurance have over the practice that places property insurance in stock companies?

(5) As regards the assured what disadvantages does the State plan of property insurance have on a comparative basis with stock-company property insurance?

(6) To what extent is property insurance carried in the State plans when such practice is not compulsory?

From its title it may seem that this study is to be limited specifically to school property or to such properties as are used mainly to carry out the State educational program

as legally required. Such an interpretation would include the higher institutions of learning, as universities, normal schools, teachers' colleges, and the correctional schools for juveniles. However, the State plans of property insurance do not segregate the property maintained for educational purposes. In the published insurance reports by the States providing this form of property protection, public property of whatever nature is inextricably intermixed with that ordinarily classed as school buildings and contents. Some of the annual and biennial reports do give the losses in itemized detail and from these the operating experience on school property alone can be calculated but to compute the operating experience for the entire time the plan has been in existence is a task that cannot be done because reports dating back to the beginning periods are no longer available in published form to the researcher who has to gather his material chiefly through correspondence and who has to depend on the kindness of public officials who are often very busy men. A further and more complete piece of research work suggests itself wherein the researcher would go to the various States and personally secure the school data directly from the office records to get the facts regarding the insurance operating experience on school property segregated into a class by itself.

With this limitation, the problem becomes a study of

STATE INSURANCE OF PUBLIC PROPERTIES thereby including administrative and other institutional properties as penitentiaries, township, village, and city halls, park properties, highway building and maintaining properties excepting such as are strictly State business enterprises and such as are specifically exempted by the insurance law setting up the State plan of insurance. For an instance, North Dakota does not include as state property the Bank of North Dakota because it is operated for profit as a business enterprise and was not financed with tax monies. However, the North Dakota State Mill and Elevator, similarly established, was classed as state property by legislative edict and permitted to carry its property insurance in the State fund.⁶

That school and State properties are grouped in one class and insured against loss in the State insurance funds does not necessarily vitiate the findings in this study. If there are losses or profits as a whole, then assuredly these also accrue to the school properties. Insuring these properties in one fund follows sound insurance principles. Wide distribution of risks and volume of business are thereby increased. Since no attempt is made in this study at determining any insurance rates for school property or whether

6. S. A. Olsness and F. E. Tunell, Report of the Fire and Tornado Fund (Bismarck, North Dakota: 1931), p. 62.

school properties are greater risks than other public properties, the non-segregation of these properties is immaterial to the aims made the particular object of this study.

CHAPTER III

HOW THE DATA WERE SECURED

The data for this study were gathered from five sources:

- (1) Books and articles in periodicals.
- (2) Letters to officials and authorities on insurance.
- (3) A questionnaire.
- (4) Official reports.
- (5) Insurance laws of the States having insurance plans or funds.

Search was made for all existing books and articles in periodicals that dealt with insurance against hazards to which school property is exposed. To make certain no important works and articles might be overlooked letters were addressed to the following asking for information on such material as might pertain to the question under study.

(1) United States Office of Education, Department of the Interior, Washington.

(2) S. B. Ackerman, Associate Professor of Insurance, Graduate School of Business Administration, New York University, New York City.

(3) The National Board of Fire Underwriters, New York City.

(4) Insurance Society Library, 100 Williams Street, New York City.

(5) Mountain States Inspection Bureau, Denver, Colorado.

(6) Professor T. C. Holy, Bureau of Educational Research, College of Education, The Ohio State University, Columbus, Ohio.

A questionnaire was prepared dealing with a number of questions about insurance practices as applied to school property. It was made more detailed than would seem necessary since the information to be secured by this procedure was: Which States have insurance plans for insuring school property? The term "State insurance" might easily be interpreted by those to whom they were sent as not including plans whereby the State appropriates a fixed annual sum of money to be placed in a fund usually under custody of the State treasurer and from which political units receive reimbursement for the losses incurred. The term "public school property" might be understood to mean only such property as is under the jurisdiction of local officials and excluding thereby such school property as State universities, State teachers' colleges, and the schools for the defective and handicapped members of society. The questionnaire was so devised that the answers would reveal the existence of State insurance regardless of the nomenclature the different States might employ in designating State insurance plans.⁷

The questionnaires were mailed to the Insurance Commissioners of the 48 commonwealths, the Territory of Alaska,

7. For Questionnaire used see appendix, pp. 4-7.

the District of Columbia, the Panama Canal Zone, the Territory of Hawaii, the Philippine Islands, and Porto Rico. The names of the commissioners of the fifty-four political units selected were secured from The Argus Fire Chart.⁸ An alternative plan held in reserve provided for mailing the questionnaire to the Commissioners of Education, or Superintendents of Public Instruction, men who by training and professional curiosity, it was thought, would be interested in the outcome of this study. Contacting the Commissioners of Education was necessary in only a few cases. Some Commissioners of Insurance relayed the questionnaire to the Superintendents of Public Instruction directly and returns were received from them. A stamped, addressed return envelope was provided and six cents in stamps were attached to each inquiry and the suggestion made that available insurance reports be mailed to the writer in case the State was operating an insurance plan.

TABLE I

RETURNS RECEIVED ON QUESTIONNAIRE AND SECOND-REQUEST LETTER
FROM INSURANCE COMMISSIONERS AND SUPERINTENDENTS OF
PUBLIC INSTRUCTION

Number of Questionnaires		Number of Second-Request Letters	
Number Sent	Returned	Sent	Returned
54	42	12	12

8. The Argus Fire Chart (New York: The National Underwriter Company, 1932), p. 2.

Table I shows that of 54 political units contacted, 42 returned the questionnaire promptly and that for twelve second-request letters twelve responded. The responses to both questionnaire and follow-up letters is 100 per cent. of the number of political units selected. No attempt was made to contact the Virgin Islands, because they have so recently come under the jurisdiction of the United States of America.

Numerous miscellaneous letters relating to items on topics not sufficiently clear were directed to various individuals conversant with insurance and insurance information. No tabulation was made of these since the responses are but supplementary to data collected.

After the questionnaires were returned gathering the official reports from the various sources indicated required further persistent efforts and the results were less fruitful than had been hoped for. Consummation of the study was thereby delayed appreciably and in some cases but meagre details were furnished. Under official reports are included the insurance laws giving authority to establish and conduct the state plans of insurance.

TABLE II

NUMBER OF POLITICAL UNITS REPORTING INSURANCE PLANS OR FUNDS
AND NUMBER OF OFFICIAL REPORTS AVAILABLE AND OBTAINED

No. Units Reporting Plans	No. Units Having Reports	No. Reports Obtained	No. Units Sending Insurance Laws
1	2	3	4
13	7	5	10

In Table II, column one, we find thirteen political units reporting some plan operated by the State that provides insurance, an emergency fund, a restoration fund, or a fire-loss fund. Seven of these units are not insurance plans since the relief provided is insufficient to make restoration of the true or sound value of the property at the time of destruction a reality, and the plan of operation is not based on insurance principles as Chapter IV will show. The purpose of the minor ones is to have available a small fund from which money is allotted to make minor repairs and replacements caused by the elements, without having to defer these necessary improvements until such time as the Legislature meets and can make an appropriation. Hawaii and the Philippines, while belonging to the type of plan classed as a restoration fund in Chapter IV, are seemingly providing a large property-loss fund, but as no operating reports

were received no definite statement can be made as to the operation experience of these two units.

Column 2 of Table II shows that seven printed reports are prepared by the officials in charge and column 3, that five reports showing all the details of operation were received. These reports will furnish the basis for the financial aspects of this study.

From all authorities reporting some form of State protection of public property repeated attempts were made to secure a copy of the laws authorizing such establishment but only ten responded to this request, as column four of Table II shows. Some of these were reports on the law and not an exact and true copy of the statute as found in the State Code.

Although Table II indicates that only five complete official reports were received, five other units gave information in writing that they either had no published reports, or that their funds were not true insurance funds, or that the plan had been put in operation very recently as in the case of Montana. Some of these submitted very brief written reports on their operation experience. Those from whom no operating reports were obtainable are giving only limited protection to school property in that they protect only property belonging to the State in general excluding the property of the smaller political units as the county, town-

ship, city, or village. The laws collected from ten of the units reveal to what extent the State is limited in the protection it offers. It is therefore admissable that the data collected are sufficient to reveal the facts pertaining to State insurance of public property.

To discover to what extent those contacted might be interested in the question under investigation the final question asked was "Do you wish a summary of this study?" Among the first forty-two returns twenty indicated yes and five definitely said no, while seventeen did not bother to answer this either way. From one State two requests by different individuals asked for a summary of the study.

CHAPTER IV

STATES AND POSSESSIONS OPERATING STATE INSURANCE PLANS
AND THE LEGAL PROVISIONS UNDER WHICH
THEY OPERATE

To acquire a true understanding of the methods used to operate the various State insurance plans it is necessary to consult the Legislative acts establishing the same. From the laws can be determined if the plan provided is in the nature of an insurance plan or only a fund from which allotments are made, by authorized boards, to units whose property has been destroyed or damaged by fire, or windstorm, or other possible hazards.

In this chapter the attempt will be made to classify the State plans in two groups, first, those which try to operate by using insurance principles, and second, those which operate a more simple plan in which fundamental insurance principles are ignored to some extent. In the first group will fall such as have a wide distribution of risks, a large volume of valuation, established rates payable out of the insured's regular budget, property classification based on fire-proof, fire-resistive, or combustible type of construction, appraisal and inspection service, a reserve fund for excessive losses, a separate fund into which premiums collected are covered, an investment procedure for surplus funds, a full-time, salaried manager, with necessary clerks and assistants, and a standard insurance policy definitely

fixing the amount of loss payable on each and every structure. The more simple plans, usually not termed insurance, but more generally called Emergency Fund, Replacement Fund, Fire Fund, or Fire-Loss Fund, do not have all the aforementioned characteristics. The management is frequently delegated to some established office, commonly the State Treasurer, sometimes a Board, and in others added to the duties of the Insurance Commissioner's office. No rates are established and the fund is accumulated from an annual appropriation from the State Revenue or General Fund without regard to increases or decreases in valuation. The premiums, therefore, except in a few cases, are not paid out of the insured's own budget. There is no reserve fund to which access may be had in case large losses occur unless an additional appropriation by legislative act makes available the money to replace the loss. No reports on the operation experience are printed separately as they are in the States which operate their plan according to insurance company methods.

There is lack of uniformity in the use and meaning of the word "State." Some States include only such property as was constructed from levies raised entirely or partially by the State, or the use of which is intended to serve all the citizens of the State. Thus the property belonging to lesser political units, as counties, townships, villages,

and cities is excluded. The other meaning of State property includes that owned by all political units into which the State may be organized and, in which, with minor exceptions, the administrative officers are compelled to carry insurance in the State fund.

To facilitate evaluation of comparable items and to throw into a classification the various State insurance plans the facts revealed in the laws have been set up in Table III.

TABLE III
ANALYSIS OF STATE INSURANCE PLANS BY TYPE OF CURRENT LAW

Political Unit	Date Established	Type of Insurance	Property Insured			Who Operates	Inspector Service	Premium Rate	Accumulation of Fund		Fund Investment	Value Insured	Fund Limit		Insurance Source	Single or Multiple Limit	Policy Years Protection	Loss-Share	Reimbursement of Excess-Loss Cost	Exemptions	Compulsory	Favorable	Free Insurance	Expense Limit Excess	
			State	County	City				Other	Annual Appropriation			Int. Appropriation	Low											High
Alabama	1925	F-F-H	0	0	0	0	Director	Annual Standard	60% of Standard	Yes	State Fund	75-100	Own Budget	50-50	Own Budget	25	75-100	Own Budget	None	None	None	None	None	None	None
Florida	1917	F	0	0	0	0	Ins. Com. Auditor	Standard	Standard	Yes	State Fund	75-100	Own Budget	50-50	Own Budget	25	75-100	Own Budget	None	None	None	None	None	None	None
Louisiana	1915	F-F-H	0	0	0	0	Ins. Com. Auditor	Standard	Standard	Yes	State Fund	75-100	Own Budget	50-50	Own Budget	25	75-100	Own Budget	None	None	None	None	None	None	None
Michigan	1919	F-F-H	0	0	0	0	Manager	Standard	Standard	Yes	State Fund	75-100	Own Budget	50-50	Own Budget	25	75-100	Own Budget	None	None	None	None	None	None	None
Ohio	1890	F-F-H	0	0	0	0	Manager	Standard	Standard	Yes	State Fund	75-100	Own Budget	50-50	Own Budget	25	75-100	Own Budget	None	None	None	None	None	None	None
South Carolina	1921	F-F	0	0	0	0	Manager	Standard	Standard	Yes	State Fund	75-100	Own Budget	50-50	Own Budget	25	75-100	Own Budget	None	None	None	None	None	None	None
Texas	1925	F	0	0	0	0	Treasurer	Standard	Standard	Yes	State Fund	75-100	Own Budget	50-50	Own Budget	25	75-100	Own Budget	None	None	None	None	None	None	None
Virginia	1915	F	0	0	0	0	Manager	Standard	Standard	Yes	State Fund	75-100	Own Budget	50-50	Own Budget	25	75-100	Own Budget	None	None	None	None	None	None	None
Washington	1905	F	0	0	0	0	Manager	Standard	Standard	Yes	State Fund	75-100	Own Budget	50-50	Own Budget	25	75-100	Own Budget	None	None	None	None	None	None	None
Wisconsin	1907	F-F-H	0	0	0	0	Manager	Standard	Standard	Yes	State Fund	75-100	Own Budget	50-50	Own Budget	25	75-100	Own Budget	None	None	None	None	None	None	None

Key to symbols: T-tornado; S-state; S-school; F-fire; T-tornado; H-hall; Q-quake; R-lightning damage; C-compulsory in-urnance; A-attachable in-urnance.

9. Annual Report, State Insurance Fund (Contemporary, North Dakota 1933), pp. 82-85.
 10. Insurance Laws of the State of Florida (Tallahassee, 1917), pp. 1-6.
 11. Supplement to School Laws of the State of Florida (Tallahassee, 1919), pp. 1-6.
 12. Report of the Fire and Marine Fund (Stewart, North Dakota 1933), pp. 82-85.
 13. Insurance of Public Buildings of South Carolina (Columbia: Printing Fund Commission, 1917), pp. 1-6.
 14. Supplement to School Laws of the State of Florida (Tallahassee, 1919), pp. 1-6.
 15. Insurance Laws (Denver: Insurance Department, 1927) pp. 13-34.
 16. North Dakota 1933, pp. 82-85.
 17. Insurance of Public Buildings of South Carolina (Columbia: Printing Fund Commission, 1917), pp. 1-6.
 18. Supplement to School Laws of the State of Florida (Tallahassee, 1919), pp. 1-6.

a. Excess here refers to the amounts over the high limit allowed by law.
 b. The State Capitol building can be insured up to \$500,000 in the insurance fund.
 c. The Historical Library can be insured up to \$200,000 in the insurance fund.

experience of this fund.

Michigan has an insurance fund for State owned property only, but excludes from its benefits the University of Michigan and Michigan State College.²²

"This Fund operated from the year 1913 until about the year 1921 when it was suspended by a special Legislation Act which was in effect until about the year 1927. This Fund has been in operation since that date and has operated during these periods mentioned without it being necessary to accumulate the maximum assessment, one million dollars, specified by statute."²²

Eight other states, Alabama, Florida, Montana, North Dakota, Wisconsin, Colorado, Oregon, South Carolina, and two possessions, Hawaii and the Philippine islands, provide protection against hazards to which property is subject by providing a fund administered by an officer of the State and designed to displace private insurance, as Table III, column one shows. These have been established over a period of thirty-five years, South Carolina, Wisconsin and the Philippine Islands were the pioneers in this venture, by having the state become the insurer in 1900, 1903, and 1907, respectively. Michigan in 1913, Hawaii in 1915, Florida in 1917, and North Dakota in 1919, made state property protection a State enterprise. Alabama adopted a State Insurance plan in 1923, followed in 1925 by both Oregon and Colorado.

22. L. H. Moore, Chief Rater, Department of Insurance, Letter (Lansing, Michigan; July 8, 1935.

Roughly, there was a ten year lull between the first and second groups, a five year period of inactivity between the second and third groups, and lastly, after ten years of quietus we find Montana embarking in a complete system of State protection of public property.

In Table III, columns 4 to 13, we see the diversity in opinion of what constitutes public property. Florida, Colorado and Oregon hold the strict interpretation.²³ Alabama includes schools except those of cities, while Hawaii includes all schools by virtue of ownership by the central government. Montana, North Dakota, South Carolina, Wisconsin and the Philippine Islands with varying minor exceptions assume all public property to be subject to the control of the State to the extent that it compels compulsory protection or offers the protection of the State plan to those who voluntarily may wish to share in its benefits.

North Dakota permits property of rural schools and property of townships located outside of unincorporated villages to be insured on application from the boards controlling these properties. Wisconsin originally did not include in its plan the property of the lesser political units but amended its law in 1911 and 1913 permitting them to insure therein on a voluntary basis.²⁴ South Carolina does not include municipal

23. As defined on p. 20.

24. State Fire Fund, Op. Cit., p. 3.

and village property in its State plan of insurance according to the reading of the law, but the answers given to the questions in the questionnaire would lead to the belief that municipal and village property is included.

Grouping the property of the provinces, chartered cities, municipalities, and local political divisions in a permissible class is also a feature of the Philippine Fund.²⁵ However, the Secretary of Finance must approve the application and the subdivision must pay a specified rate of insurance which thus eliminates these subdivisions from sharing in the \$25,000 annually appropriated for the general property of the Government.²⁶

The practice of admitting the property of all political subdivisions into a State's insurance plan is certainly sound business procedure. A larger number of risks increases the total volume of insurance and multiplies the earnings proportionally. The wider distribution lessens the ratio of loss to income. These are basic principles of insurance.

A plan to protect property from the commonly occurring hazards should be designated insurance only when it definitely follows insurance methods, in the conduct of its activities. These methods, in use over a long period of time are thoroughly tested and proved. An examination of Table III, Columns 15,

25. Property-Insurance Law, Op. Cit., 338.

26. Property-Insurance Law, Loc. Cit.

This table does not contain the data of three States. Two of these, Vermont and South Dakota, although cited by writers as having State insurance plans, do not in reality have such a set-up. The Vermont plan makes it the duty of the Insurance Commissioner, in accordance with Section 6640 of the Public Laws of Vermont, to place insurance on all State buildings and contents in eight master policies, two mutual and six stock companies. This is apportioned among the companies in proportion to the taxes paid by the insuring companies. Vermont does have an Insurance Sinking Fund into which the State pays \$10,000 annually. From this Fund is taken any amount necessary for the restoration of property in excess of the insurance recovery from private companies.¹⁹ The smaller political units protect their property against loss by fire and other hazards by whatever methods they see fit.²⁰

South Dakota has what is known as the Emergency Building Fund intended to take care of minor repairs on State owned property only caused by fire, hail and tornado.²¹ No separate, printed reports are available on the operation and

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19. L. Douglas Meredith, Letter (Montpelier, Vermont: Department of Banking and Insurance, June 19, 1935)
 20. Ibid., Letter, July 1, 1935.
 21. Tom Scanlon, Letter (Pierre, South Dakota: Department of Insurance, June 17, 1935)

16, 18, 19, 23, 24, 26, and 27 reveals that Alabama, Florida, Montana, North Dakota, South Carolina and Wisconsin follow standard and accepted insurance procedure. These States inspect the property to eliminate extra hazardous conditions, adopt a standard or sufficient premium rate, add the interest from investments to build up reserve funds or reduce the premium rates, invest reserve funds as carefully as other State funds, reinsure large risks, insure for less than full value, demand premiums be paid out of the insured's own budget and use a standard policy form, valid over a specified term of years. Procedures used to build up funds to be used to replace destroyed or damaged property from appropriations, or by setting aside stated sums of money, should be termed restoration or replacement funds to distinguish them from such funds as are accumulated in accordance with insurance methods. The purpose of insurance funds and restoration funds is essentially the same, but the method of accumulation is too disparate to permit applying the same terminology to both. Under approved insurance methods the extra-hazardous property contributes a proportionately greater share than does that which is highly fire-proof, although the valuations may be exactly equal. When the general appropriation method is used to raise the protective fund from property taxes both types of structures would contribute equally, provided the assessor's valuations were identical. This manifestly places a penalty

on the less hazardous risks.

Referring to Table III under columns 15, 17, 20, 23, 26, and 27, Colorado, Hawaii, Oregon and the Philippine Islands may be classed as belonging in the group having protective funds which are essentially restorative and not true insurance funds. They do not maintain an inspection service, derive their funds from an appropriation from the central government,²⁷ do not provide for re-insurance,²⁸ do not insure each insurable unit for a definite value, and have no policy form for a definite period of time. Columns 21 and 22 of Table III show that nearly all of the political units carrying their own insurance establish a high limit of assets above which the funds should not rise. Only two units set a low limit below which adequate protection to property is jeopardized, it must be assumed. The Philippine Islands set \$250,000 as the low limit and also the high limit. Montana law provides that the low limit be \$700,000. When the assets of the funds have been reduced to the minimum allowed, policies again resume premium payments and for the restoration funds the annual appropriations are revived. The maximum in assets

27. Excepting Oregon which uses the ratio of the value of the insured structure to the total value of all the government property multiplied by \$25,000. The Philippine Islands have rates for such political units as insure voluntarily.

28. Earl Snell, Sec. of State, Letter (Salem, Oregon; July 2, 1935). From 1927 to 1935, \$168,510.56 had accumulated. The fire that destroyed the State Capitol Building and most of the contents April 25, 1933, greatly depleted this fund. (April 25, 1935)

varies from \$100,000 for Hawaii to \$2000,000 for North Dakota. Colorado and Oregon set the maximum at \$300,000 and Montana and South Carolina at \$1,000,000. Alabama, Florida and Wisconsin do not impose either a minimum or maximum in the assets of their protective funds.

When the maximum in assets has been accumulated the laws provide that insurance be provided without further payment of premiums. South Carolina does require five annual premium payments before property becomes eligible to free insurance regardless of the fact that thereby the assets may exceed the maximum.²⁹ Column 32 of Table III lists Montana, North Dakota, South Carolina, Oregon, the Insular Government of the Philippines, and the departments Sulu and Mindanao of the Philippines as participants in free insurance. South Carolina had open policies in effect covering property valuations in the amount of \$34,581,795.95 on June 30, 1934, and its pay policies totaled only \$6,622,251.30.³⁰ North Dakota, during the summer of 1935, was completing inspections of buildings preparatory to offering free insurance after August first.

Five units have a provision whereby excess losses, or losses that exceed the available monies in the fund, are reimbursed, as columns 28 and 29 of Table III show. The laws

29. Insurance of Public Buildings of South Carolina, Op. Cit., paragraph 8.

30. Report of the Sinking Fund Commissioners (Columbia, South Carolina: 1934), p. 17.

of Alabama, Florida, North Dakota, Wisconsin and the Philippines contain this precautionary feature.

Alabama appropriated \$100,000 outright, but has never suffered losses in excess of the premiums earned.³¹ Reimbursement to the State would have to be made from future premiums earned over and above the maximum assets, \$500,000.

Florida has access to the General Revenue Fund of the State in case of excess loss. For North Dakota the State accepts a claim from the Board having charge of the State property payable ninety (90) days after the close of the next session of the Legislature. The Legislature therefore is obliged to meet the losses by appropriations. As soon as the earnings in the Insurance fund equal this appropriation, repayment is to be made to the general fund of the State.³²

The General Revenue Fund is a source of aid to the Wisconsin fund should excess losses necessitate paying losses greater than the fund's resources permit. The burning of the State Capitol forced drawing on the General Revenue Fund during 1903 and 1904. Restitution has been made in full from premiums earned since the Capitol fire.³³

The Philippine fire insurance fund has access to the General Surplus Fund of the Insular Treasury to redeem

31. Annual Report State Insurance Fund, Op. Cit., p. 3.

32. Report of Fire and Tornado Fund, Op. Cit., p. 51.

33. State Fire Fund, Op. Cit., p. 6.

excessive losses. Repayment must be made out of future net earnings,

Montana, South Carolina, Colorado, Hawaii, and Oregon have not provided any excess loss protection. Of the five units providing for losses in excess of the resources of their own funds, only one, Wisconsin, has ever been forced to resort to auxiliary aid by borrowing from the General Revenue fund, and this was necessary because the insurance fund had just been established and the loss, the Capitol Building, was unusually large.

Column 20, Table III shows that Alabama, Florida, Montana, North Dakota, South Carolina and Wisconsin employ reinsurance on risks which, if destroyed, would excessively reduce the accumulated funds. Re-insurance implies insuring a portion, or several portions, of a property in another insurance company or several companies. If the property becomes a loss, each carrier of the insurance pays his proportionate share. Thus no single large loss can force the insurance carrier into insolvency. This is a case where the insurer insures his risks. It is sound insurance practice. To illustrate from the North Dakota Capitol fire of December 28, 1930, which was a total loss, the State fund carried \$100,000 of the insurance and private companies \$630,000, approximately.³⁴

34. Report of Fire and Tornado Fund (Bismarck, North Dakota; 1931), p. 9.

Column 25 of Table III makes plain on what different classifications of property certain amounts may be carried by the funds. Alabama's classification ranges from \$5,000 to \$25,000 while North Dakota's varies from \$25,000 to \$100,000 on single risks. Florida specifies all values over \$50,000 and Wisconsin all over \$100,000 must be reinsured except the Capitol and Historical Libraries which have a limit on themselves. South Carolina lets the commission regulate the amounts but in reality has established a reinsurance fund of its own which takes the excessive risks.³⁵ Montana leaves this to the discretion of the fund managers specifying only that standard insurance practice be followed.

Some minor provisions in the laws have not been tabulated in Table III. Wisconsin,³⁶ Montana,³⁷ and Florida³⁸ require tax payments to be made to Fire Men's Funds and Fire Marshal's Funds the same as other insurance companies pay. To settle differences in estimated valuation of losses, arbitration methods are provided. Schedules for paying premiums, collection procedures and penalties for non-compliance are generally provided.

35. M. J. Miller, Secretary Sinking Fund Commission, Letter (Salem, South Carolina; July 20, 1933)

36. Annual Report of Commissioner of Insurance (Madison, Wisconsin, 1935), p. 70. Evidently complying with a general insurance tax law. Disbursement exhibit shows Fire Department dues paid were \$37.28 for 1934 business.

37. Laws of 1935, Chapter 179, paragraphs 6 and 7.

38. Insurance Laws of the State of Florida (Tallahassee; 1934) p. 7, paragraph 1182. 2% on Premium.

SUMMARY:

State insurance plans have been in operation over a period of thirty-five years.

The hazards insured against are most frequently fire and tornado with a few insuring also for water, lightning and earthquake damage.

Six States, Alabama, Florida, Montana, North Dakota, South Carolina and Wisconsin manage their systems of insurance in accordance with standard underwriting procedures. These States evaluate the property by conducting inspections and making appraisals, adopt standard insurance rates varying with the property classification, write a standard form of policy, hold the insured unit responsible for premium payment out of the assured's own budget, invest the surplus funds in sound securities, and make loss settlements promptly.

Five States and possessions, Colorado, Hawaii, Oregon, the Philippine Islands and Michigan have Restoration Funds intended to displace insuring in private insurance carriers. Two States, South Dakota and Vermont have limited Emergency Funds for replacing the losses over insurance recoveries. Four States, Alabama, North Dakota, South Carolina and Wisconsin charge rates of from 60% to 80% of standard rates.

Two State Funds, South Carolina and North Dakota have built up maximum limit funds and now carry extensive valua-

tions in free or open policies.

Three States, Montana, North Dakota with minor exceptions, and South Carolina class all public property as State Property.

Nine of the ten units invest their surplus funds in the same general class of securities in which private insurance companies invest.

Five units, Alabama, Florida, North Dakota, Wisconsin and the Philippines have recourse to the General Revenue Fund, or the credit of the State, in case the insurance fund is insufficient to meet excess losses. In every case reimbursement must be made out of future earnings.

Only one State, Wisconsin, ever has used the excess-loss protection.

CHAPTER V

THE OPERATION EXPERIENCE RECORDS OF STATE FIRE INSURANCE PLANS

The operation experience of the various State insurance plans, singly and collectively, only can furnish the necessary data as to their success or failure. Whether the standards now used to rate commercial stock insurance companies are applicable in their entirety to State insurance plans has not definitely been established. However, because of non-establishment of any other ratings they are the only ready ones to employ in a critical analysis of State insurance plans.

For stock insurance companies standards for comparison are usually as follows: (1) The fully paid capital stock must be \$200,000.³⁹ Since States do not establish their insurance set-up by selling stock, some provision for ready assets must be made wherewith excessive losses can be paid; this is especially important for the first years of operation and before any reserve can have accumulated. (2) Premiums charged must be at Board rate, i.e. a rate that is sufficiently high so the excess over losses builds up a reserve fund. (3) The ratio of losses paid to premiums received must not have exceeded 40% over an operating period of five years. The loss ratio standard here cited is high and most

39. Insurance Practices and Experiences of City School Districts. (National Association of Public School Business Officials, Trenton, New Jersey; 1932), p. 10.

authorities regard a 50 to 55 per cent. loss ratio as a very favorable experience.⁴⁰ (4) The ratio of expenses paid to premiums received must not have exceeded 30% over an operating period of five years.⁴¹ Considering the method of securing the State insurance business is a monopoly, the 30% expense ratio may be unduly high when applied to State insurance. In a State plan, the agent's expenses are eliminated and the expenses incident to adjustment of losses over the territory of a single state cannot be very large during the course of a year. (5) Losses to the insured must be adjusted promptly and as promptly paid. (6) Surplus funds must be invested in safe securities readily liquidated.

Five States of the six having insurance plans based on commercial insurance practices provide data for critical examination in the official reports showing their operation experience over the period of years they have operated. Lack of detail and completeness of the later official reports makes it impossible to use data up to as recent a date as had been planned. Whether economy, or the self satisfaction that the experiment in State insurance has proved itself successful, prompts officials to include less detail is not known. An efficient Government should require frequent,

40. Harvey A. Smith, Op. Cit., p. 101.

41. Insurance Practices and Experiences of City School Districts, Op. Cit., p. 14.

detailed and complete official reports of those entrusted with the management of a public office. It is assuring, however, that regular reports have been issued during late years by some States having insurance plans where formerly none were available.

The Alabama Fire Fund

The experiences of the State plan of Alabama are set up in Table IV and Figure 1. Line 1 shows the anticipated premiums would have been \$2,353,001.48 if standard insurance rates had been paid. In line 2, the savings made by charging a low rate amount to \$943,634.50. The figures are not pertinent to this study except that from them can be determined why the ratio of losses to actual premiums paid is so high, 80.4%. Had the underwriter's bureau rate been charged, then the loss ratio to premiums would have been only 48.2% as shown in line 10. This would be considered a very favorable rate since successful commercial companies average that ratio. When earned interest is added to premium received the loss ratio becomes 78.2%. The operation cost, salaries, office help, inspection and appraisal service is 3.06 per cent. of the premiums received, as shown in line 11, for a one year period. We do not know what it is for the eleven year period as no data are at hand. Legally, 6 per cent. of premium income may be used for operation costs.

TABLE IV

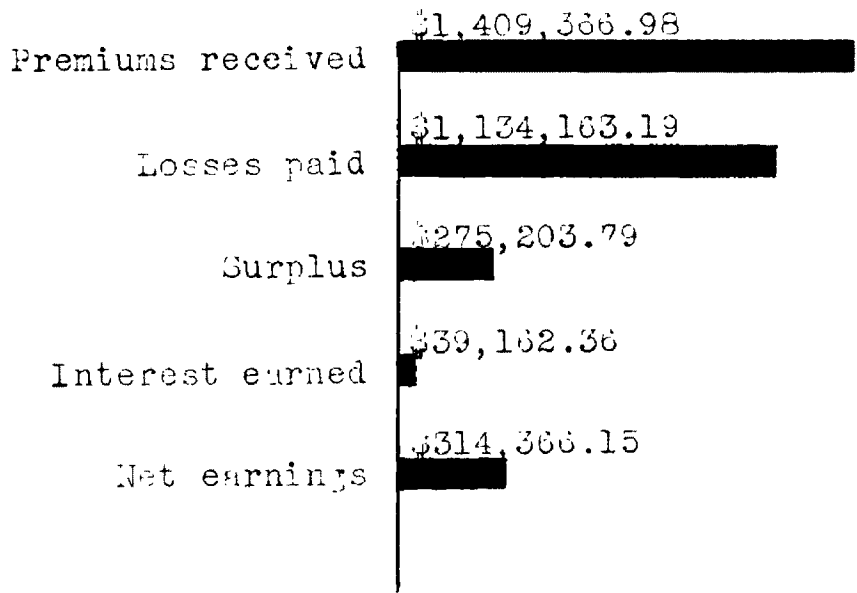
OPERATING EXPERIENCE OF THE ALABAMA FIRE FUND
FROM OCTOBER 1923 TO OCTOBER 1934

1. Aggregate premium using standard rate ^a . . .	\$2,353,001.43
2. Discount of 40% of standard rate ^b . . .	943,634.50
3. Premiums actually paid . . .	\$1,409,366.93
4. Losses paid ^c . . .	1,134,163.19
5. Earnings minus interest . . .	275,203.79
6. Interest earned . . .	39,162.36
7. Total net earnings ^d . . .	\$314,366.15
8. Per cent losses are of actual premiums . . .	80.4
9. Per cent losses are of premiums plus interest . . .	78.2
10. Per cent losses are of aggregate premiums ^e . . .	48.2
11. Per cent operation cost is of net premium for 1 yr ^f	3.03
12. Operation cost for one year (1933-34) ^g . . .	\$4,397.27

a. Annual Report State Insurance Fund (State Board of Administration, Montgomery, Alabama: 1934), p. 6.
 b. Ibid., p. 6.
 c. Ibid., p. 6.
 d. Ibid., p. 11.
 e. Ibid., p. 7.
 f. Ibid., p. 5. One year's operation, October 1933 to October 1934.
 g. Ibid., p. 5.

Figure 1.

Operating Experience of the Alabama Fire Fund Over Eleven Years. Data from Table IV.



In the official report for 1934, no financial and operating statement for the entire period, eleven years, is shown. The financial statement for 1933 shows losses paid for fire and tornado of approximately \$126,000 and that accounts payable, amounting to about \$104,000 are charged off as disbursements.⁴² Under assets accounts receivable are shown as \$79,764.56.⁴³ If these accounts had been collected, as the law gives power to do, the loss ratio would have been noticeably less.⁴⁴ Since only \$104,000 was charged off and the accounts receivable for 1932 were \$132,000 and for 1933, \$180,000, the difference presumably was collected from the units owing this.⁴⁵

Surplus funds are invested as shown in the following statement:

Alabama warrant Refunding Bonds	\$70,700
Alabama Public Road and Bridge Bonds.	56,000
Alabama Harbor Improvement Bonds.	50,000
Alabama 4% Renewal Coupon Bonds	5,000
Alabama 4% Renewal Registered Bonds	<u>26,000</u>
Total	\$217,700

A sworn statement of audit testifies that these bonds are held for safe keeping in a Montgomery Bank.⁴⁶

42. Annual Report State Insurance Fund, Op. Cit., p. 10.

43. Ibid., p. 11.

44. Ibid., p. 22, paragraph 6.

45. Ibid., p. 12.

46. Ibid., pp. 18-19.

The total number of buildings insured is 4,068, valued at \$32,500,000, on which \$25,125,460 fire and \$24,235,930 tornado protection is carried. Of the fire protection, approximately one-fourth is reinsured at a cost of about one-sixth the total premium income.⁴⁷ Schools and educational institutions produced about one-half the premiums and caused approximately 94% of the losses for 1933-34.⁴⁸

From these facts, it appears that the losses must be reduced especially among the educational institutions, and collections more systematically made. The 60% of standard rate partially accounts for the high loss ratio to premiums received.

47. Annual Report State Insurance Fund, Op. Cit., pp 14-15.

48. Ibid., p. 14.

The Florida Fire Fund

The Florida fire fund accumulates its fund on the basis of standard rates, insuring for 75 per cent. of value; reinsurance is carried on about one-fifth of approximately \$11,000,000 of property valuation at a cost of \$29,494.92, while the State has collected premiums of \$187,002.04 on its share of the property retained under State protection. The reinsurance premium is paid out of the State Treasury and not out of the fund income. The amount to be carried legally is \$50,000 on one risk, but an examination of accounts indicates that the Board of State Commissioners of State Institutions, which has discretionary power, far exceeds this statutory limit.⁴⁹

Table V, showing the Florida fund's operation over sixteen years, does not include the facts regarding reinsurance which feature was added in 1929. In these operation experience tables the term losses is all inclusive of expenses whatever nature they may be. Commercial companies compute operation costs separately as has been done in line 8 of Table V. By subtracting the percentage figure in line 8 from the figures in line 6, we arrive at the same percentages commercial companies use to show operation costs based on premium income and the losses due to the destruction or

49. W. V. Knott, Insurance Laws of the State of Florida (Tallahassee: 1934), Supplement, p. 5.

TABLE V

OPERATING EXPERIENCE OF THE FLORIDA FIRE FUND FROM 1917 TO 1933^a

1. Income: Premiums written ^b	\$642,147.56
2. Losses: Risks and expenses.	\$175,779.32
3. Earnings minus interest	\$466,368.24
4. Interest earned	\$110,936.53
5. Total net earnings.	\$577,304.77
6. Per cent losses of premiums27.3
7. Per cent losses to premiums plus interest23.3
8. Per cent operation cost is of premiums ^c	7.7
9. Operation cost.	\$50,138.99

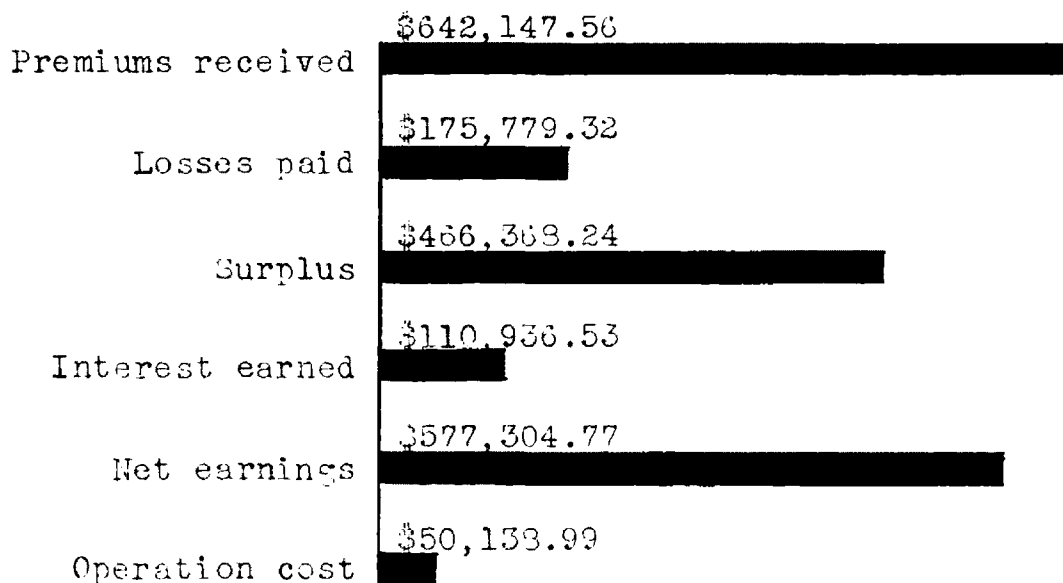
a. Report of Insurance Department, (Tallahassee, Florida: 1934)
p. 22.

b. Premiums are written at standard rates.

c. Includes 2% tax on premiums amounting to \$14,753.25.

Figure 2.

Operating Experience of the Florida Fire Fund Over a Period of
Sixteen Years, 1917 to 1933, Inclusive.
Data from Table V.



damage of risks.

Florida exhibits a very favorable loss ratio of 27.3 per cent., as line 6 shows; and, according to commercial insurance methods, actually has a 19.6 per cent. loss ratio. The operation cost is also low, being only 7.7 per cent. However, if reinsurance costs could be added, as they should be, the loss ratios would not be so favorable.

The bonds selected for investments are all Florida County highway improvement bonds, maturing in from seven to thirty years, totaling \$198,000. Since Table V, line 5, shows net assets of \$577,304.77, there remains in liquid assets over \$300,000. The Florida insurance fund, limited strictly to insuring property of the State, exhibits a very favorable financial condition.

The Montana Fire Fund

For Montana no operation experience can be available since the fund is in the initial steps of organization from June 1, 1935.

The North Dakota Fire Fund

The North Dakota fund established in 1919, but harassed for several years by attacks from interests claiming unconstitutionality, insures all State property inclusive of that under control of local political subdivisions.⁵⁰ Its reinsurance feature is operated by the fund manager and the premiums this entails are paid out of its premium receipts. This reinsurance feature has diverted premium receipts to an amount nearly equaling the losses incurred through fire and tornado on that portion of property retained by the fund. However, reinsurance recoveries have slightly exceeded the reinsurance premiums thereby confirming, in a no uncertain way, the soundness of incorporating this feature in a State plan.⁵¹

The North Dakota fund law provides for assistance to the Commissioner of Insurance by granting authority to expend a sum not to exceed 10 per cent. of the earned premiums. This permits employment of workers experienced and trained in insurance management. This is reflected in the completeness of the information contained in the regularly issued reports.

Insurance in the fund is compulsory except as to

50. S. A. Olsness and F. E. Tunell, Report of the Fire and Tornado Fund of the State of North Dakota. (Bismarck: 1927), pp. 214-224.

51. S. A. Olsness and F. E. Tunell, Report of the Fire and Tornado Fund of the State of North Dakota. (Bismarck: 1933), p. 10.

property located outside of incorporated limits. Of the \$62,000,000 insurable value placed on State property, but \$36,002,660 is actually insured in the fund. Ninety per cent. of insurable value, the percentage of value that may be insured under the law, would be \$55,800,000; eighty per cent. of insurable value, the value commonly used, would be \$49,600,000. Then \$36,002,660, the value of insurance carried, represents about 72 per cent. of \$49,600,000; or, in other words, the North Dakota fund insures only about 72 per cent. of its property at 80 per cent. of valuation.

The estimated number of school buildings in the State is 5751 and of this number only 1132, or 20 per cent. carry their insurance with the State. Eighty-eight per cent. of the County property and 99 per cent. of the State property is with the fund.⁵² The fifteen and one-half years of operation has not demonstrated to all the administrators and officials of units privileged to insure or not to insure in the State plan, that State insurance is preferable to private insurance coverage. What effect the free insurance feature, to go into effect August 1, 1935, will have on these officials desiring to insure elsewhere, remains to be found by some future investigator. To what extent these properties remaining out of the fund do insure is not readily available.

52. Report of the Fire and Tornado Fund of the State of North Dakota, 1933, Op. Cit., p. 30.

Perhaps they do not insure at all or in mutuals which generally insure at lower rates than State plans.

During the initial period of operation insurance was written on 90 per cent. valuation at Board rates set by the general inspection Bureau of Minneapolis. Reductions in rates equaling 25 per cent. of Board rates became effective in July 1933; further reductions equaling 15 per cent. were adopted in 1933, the total reduction amounting to 40 per cent.⁵³ The free insurance feature of 1935, becoming operative on accumulation of the \$2,000,000 fund limit, must prove attractive to all officials who struggled to secure the monies to meet budget estimates during these years of overwhelming tax delinquencies.

Table VI, and Figure 3 show the condition of the North Dakota fund as of 1933. Approximately four millions of dollars have come in as premiums and from reinsurance. Nearly two and a half million has been disbursed for all purposes. The fund has earned nearly a million and a half, and interest earned is a further one third million dollars. Line 5 of Table VI shows that the high limit of the fund, \$2,000,000, requires only an additional increase of about \$175,000 to provide free insurance, which is virtually a fact at this time of writing, as stated heretofore.

53. Report of the Fire and Tornado Fund of the State of North Dakota, 1933, Op. Cit., p. 30.

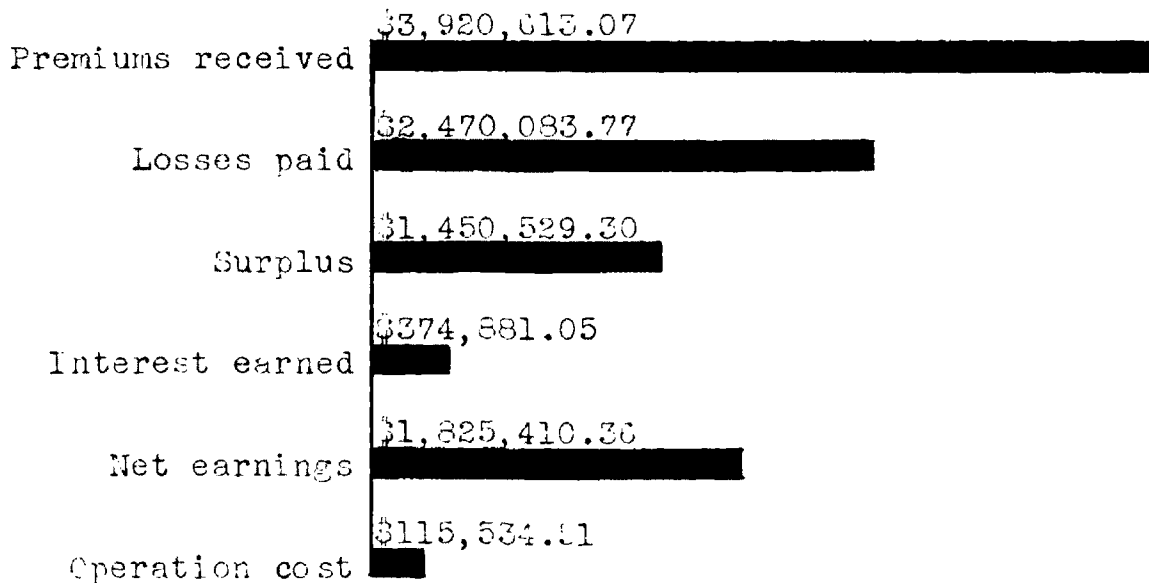
TABLE VI
OPERATING EXPERIENCE OF THE NORTH DAKOTA FIRE FUND
FROM 1919 TO 1933^a

1. Income: Premium, reinsurance	\$3,920,613.07
2. Losses: Risks, reinsurance, operation.	\$2,470,083.77
3. Earnings minus interest.	\$1,450,529.30
4. Interest earned.	\$374,881.05
5. Total net earnings	\$1,825,410.36
6. Per cent losses to income.	63.0
7. Per cent losses to income plus interest.	57.4
8. Per cent operation cost is of income	2.94
9. Operation cost for period.	\$115,534.51

a. Report of the Fire and Tornado Fund (Bismarck, North Dakota: 1933), pp. 10-13.

Figure 3.

Operating Experience of the North Dakota Fire Fund, from 1919
to 1933, Fourteen and One-half Years.
Data from Table VI.



The loss ratio, line 6, appears as 83 per cent., but the operation cost, line 8, is only 2.94 per cent. Reinsurance costs are reflected in the high loss ratio, but actual experience has proved it is a satisfactory protection to the fund as the Capitol fire of 1930 showed. The protection offered, 90 per cent. of value, is equaled only by the Wisconsin Fund and materially swells the losses. Reinsurance commission obtained during the later years of operation have reduced reinsurance premiums approximately \$85,000.⁵⁴

Bills receivable totaling \$50,583.50, representing registered warrants from school districts and counties and accounts receivable totaling \$42,003.06, representing school districts, cities and villages having made no pretense at payment, should be reduced to a minimum on sound business principles. The latter draw no interest and therefore represent an additional loss to the fund which would be eliminated if registered warrants were tendered as evidence of debt.⁵⁵ The dire need of the schools and political subdivisions has doubtless been the reason the management has shown such leniency.

No investment register is shown in the commissioner's report; however, audits by the State Examiner and Certified

54. Report of the Fire and Tornado Fund of the State of North Dakota, 1933, Op. Cit., p. 30.

55. Ibid., pp. 22-28.

Public Accountants certify that the plan of operation and organization is conducted in a satisfactory manner.

Investments are limited to bonds of the United States and any other State. Political subdivisions of North Dakota may sell their bonds to the Insurance Fund if their assessed valuation exceeds \$2,000,000, provided that no more than a fourth of the fund's assets are invested in such political subdivisions.⁵⁶

The cited facts lead to the following conclusions relative to the North Dakota Fund:

It operates on the same principles as private stock companies.

The reinsurance feature is an integral part of the plan and not an auxiliary agency operated by some other governmental department.

A full time manager devotes his energies to the interests of the department.

Its constitutionality has been tested and abated the onslaughts of private interests.

It has reached its full growth, \$2,000,000 and now offers free insurance until such time as the fund falls below the high limit set by law.

Its investments are secured in high class securities.

56. Report of the Fire and Tornado Fund of the State of North Dakota, 1933, Op. Cit., p. 55.

The fund submits to audits by certified Public Accountants.

The property of the State not insured in the fund belongs to the Class which may insure or not insure in the fund at the option of the controlling officials.

It has won the right to receive reinsurance Commissions when placing reinsurance, the same as one company offers another engaged in the same business.

The reinsurance feature has proved desirable in the loss experience of the State, but not exceptionally so.

The South Carolina Fire Fund

The South Carolina State insurance plan was the first established and has operated over a period of thirty-five years. It is under the control of a group of seven government officials termed the Sinking Fund Commission who employ a secretary devoting his full time to the management of four State funds--the Insurance Sinking Fund, the Ordinary Sinking Fund, the Refunding Fund, and the Reinsurance Fund.

The protection offered covers fire and tornado losses. No premiums are collected for tornado protection, hence this coverage is entirely without cost to the insured. Insurance rates on fire coverage at first followed Board rates on valuations existing policies carried. New construction is valued at cost. As the fund has grown, reductions have been made in premium rates and the rate in effect now is 80 per cent. of Board. In 1926, the high limit of the fund, \$1,000,000 had been exceeded and free insurance became operative. For six years the fund remained about stationary. For 1932-34 the fund's losses depleted it about \$30,000 below the high limit. In 1934, all free policies were required to pay premiums at 75 per cent. of standard rate to bring the fund up to the statutory maximum.⁵⁷ The property that has not been insured

57. John M. Cozart, Report of the Sinking Fund Commissioners. (Columbia, South Carolina: 1934), p. 19.

in the fund for five years does not participate in the free insurance.

The South Carolina law requires all public property of the State, County and School districts to insure in the State fund. Public property of municipalities and villages is not mentioned in the law. Thus there is about \$41,000,000 of valuation insured of which \$34,500,000 represented open policies and only about six and a half million dollars pays regular premiums.⁵⁸ It has been recommended by the secretary to the Sinking Fund Commissioners that effort be made to require the open policy units to remove fire hazards and otherwise expend a portion of the money not now required for insurance protection for the installation of automatic sprinklers and improvements in heating installations.

This fund adhered to the reinsurance feature for many years. Eventually the State provided for a reinsurance fund into which all reinsurance premiums are paid. Assets in June 1934 were \$307,120.17 plus a fire loss reserve of over \$61,000. As this State was the pioneer in adopting a State insurance setup, so again it has pioneered in the State reinsurance experiment.⁵⁹

58. Report of the Sinking Fund Commissioners, Op. Cit., p. 17.

59. Ibid., p. 12.

The surplus funds are invested in County, State and school district notes, and one large loan of \$416,875 in the State Office Building.⁶⁰ There can be no criticism of this plan of investment so long as these funds are considered as trust funds accumulated for but one purpose and that is to provide protection against the hazards to which property is exposed.

Table VII reveals the operation experience over a period of thirty-four years. From 1926 onward, premium collections have been low, in most cases only equal to losses and, in one instance, 1932, the premium collections were only about a third of the losses required to be paid.⁶¹ The free insurance feature could permit but little growth.

Table VII shows that the total premiums collected were about two and a half million and losses were nearly two and a quarter million. Interest and rents have accumulated to about \$633,366 thus leaving a little over \$869,000. The million dollar fund does not cover the losses from earnings. These losses may be unusually large periodically, but a nine year period, the open policy span, should very nearly prove if the million dollar maximum is sufficient to earn the losses experienced on about 41 million dollars of property insurance.

60. Report of the Sinking Fund Commissioners, Op. Cit., pp.6-8

61. M. J. Miller, Report of the Sinking Fund Commissioners
(Columbia, South Carolina: 1932), p. 5.

TABLE VII
 OPERATING EXPERIENCE OF THE SOUTH CAROLINA FIRE FUND
 FROM 1900 TO 1934^a

1. Income: Premiums	\$2,443,287.99
2. Losses: Risks, reinsurance, operation.	\$2,206,815.85
3. Earning minus rent & interest.	\$236,472.14
4. Interest and rent earned	\$633,366.40
5. Total net earnings	\$869,838.54
6. Per cent losses to income.	90.3
7. Per cent losses to income plus interest & rent	71.7
8. Per cent operation cost is of income	3.8
9. Operation cost for period.	\$93,841.51

a. Report of the Sinking Fund Commissioners (Columbia, South Carolina, 1934), pp. 5-8.

Figure 4.

Operating Experience of the South Carolina Fire Fund
 from 1900 to 1934, Thirty-four Years
 Data from Table VII

Premiums received	\$2,443,287.99
Losses paid	\$2,206,815.85
Surplus	\$236,472.14
Interest earned	\$633,366.40
Net earnings	\$869,838.54
Operation cost	\$93,841.51

Since pay policies were still in effect, it is amply demonstrated that the earnings of a million dollars will be inadequate without reimbursement from premiums to maintain the fund up to its maximum.

The loss ratio is 90.3 per cent. Just how much of this is the direct result of free insurance would be an interesting minor problem. The ratio of operation costs to premium income remains very low.

South Carolina of all the State insurance plans was the first to build up a maximum fund which was designed to provide free insurance henceforth.

Experience shows that the losses are in excess of what the one million dollar fund can earn.

This State is the first trying to pay reinsurance into a fund administered by the State instead of paying these premiums to private companies.

The Wisconsin Fire Fund

Wisconsin established its plan of State insurance in 1903. It appears to be eminently successful as its assets exhibit is the largest of any of five State plans having operated sufficiently long to permit the building up of funds. Its program of operation is essentially that of any insurance company. The assets have been built up from a large volume of business. The property insured has a valuation of around \$135,000,000, more than four times that available to any other State using a State plan.

The data in Table VIII reveal premium incomes of about three and a quarter million dollars with less than a million and a quarter of losses. The ratio of losses to income is extremely low, being only 35.3 per cent. The per cent. of operation cost is only 2.8 per cent. The fund, now so well established, was at one time declared a failure by interests not sympathetic towards seeing it a success.

In its early history, an excessive loss, the Capitol fire, depleted the fund, but the legal provision that the State General Revenue Fund could be used as a reserve fund or excess loss fund, allowed all losses to be paid. It must be said in all fairness that the insurance fund repaid this loan as soon as its assets permitted.

Insurance is provided on all State property against fire and tornado at 90 per cent. of valuation. For many

TABLE VIII
OPERATING EXPERIENCE OF THE WISCONSIN FIRE FUND
FROM 1903 TO 1931^a

1. Income: Premiums	\$3,261,715.64
2. Losses: Risks, reinsurance, operation, assets	1,152,548.37
3. Earnings minus interest and asset sales. . .	\$2,109,167.27
4. Interest, asset sales earned	\$686,971.20
5. Total net earnings	\$2,796,138.47
6. Per cent losses to income.	35.3
7. Per cent losses to income plus interest and asset sales	29.1
8. Per cent operation cost is to income	2.6
9. Operation cost for period.	\$92,872.62

- a. H. J. Mortenson, State Fire Fund (Madison, Wisconsin: 1932), pp. 13-14. The later reports are briefly compiled in the Commissioner of Insurance Report giving only the operation experience for the particular year and the total assets but not the total losses. This table omits the operation experience of the last three years, i.e. for 1932, 1933, and 1934.

Figure 5.

Operating Experience of the Wisconsin Fire Fund from 1903
to 1931, a Period of Nineteen Years
Data from Table VIII

Premiums received	\$3,261,715.64
Losses paid	\$1,152,548.37
Surplus	\$2,109,167.27
Interest earned	\$686,971.20
Net earnings	\$2,796,138.47
Operation cost	\$92,872.62

years, 60 per cent. of Board rate premiums were charged, but in 1932 the rates were further reduced to 5% of the rates charged by stock fire and tornado companies.⁶²

The property of the smaller political units of the State may insure with the fund on a voluntary basis and may apply the co-insurance provision when insuring at 70 per cent., 80 per cent., or 90 per cent. of the actual value. Fifty-two towns, 27 counties, 208 school districts, seven libraries and three sanitariums are availing themselves of this privilege.⁶³

The insurance fund has membership in the Fire Insurance Rating Bureau and pays fire department dues in the same manner as do commercial fire insurance companies.

Assets are invested by the State Annuity and Investment Board in farm mortgages, municipal bonds and other high grade securities.⁶⁴ The State Office Building and the Orthopedic Hospital were built with funds borrowed from the Insurance Fund. Making loans for these two structures has been severely criticised in some quarters. Loans on farms have been discontinued.

No minimum nor maximum limit is legally set, but with reduction of rates the fund will level off to slower gains

62. H. J. Mortensen, Letter (Madison, Wisconsin: July 21, 1933).

63. Loc. cit., Letter.

64. H. J. Mortensen, State Fire Fund (Madison, Wisconsin: 1933), p. 4.

and eventually may establish its own maximum. Free insurance is not provided, but since rates are reducible it has the same effect provided reductions are made low enough.

The Wisconsin fund is outstanding in the assets it has accumulated, in low loss and operation ratios and the amount of property valuations it protects.

From Tables V to VIII, certain items usually compared in the operation experience of stock companies are grouped to ascertain the ranking the State plans have attained. That State plans are entirely comparable is not maintained because as population, area, and the meaning of State property vary, so too will certain items vary relative to these factors. Certain items are comparable regardless of these unlike elements just as they are valid comparisons when applied to stock companies which vary in size of capital stock, valuations insured, management, etc.

TABLE IX
TOTAL INSURANCE CARRIED IN EACH OF THE FIVE STATE FUNDS

State	Rank	Insurance	Data Year ^a
1	2	3	4
Wisconsin ^b	1	\$123,000,000.00	1933
South Carolina	2	41,204,047.00	1933
North Dakota	3	36,002,660.00	1933
Alabama	4	25,125,460.00	1934
Florida	5	8,876,682.00	1933

a. The data used were to be for the same year, but fiscal years vary, and in some instances data for the particular year wanted was not available, or replies to requests for information were not forthcoming.

b. H. J. Mortensen, Letter (Madison, Wisconsin: July 22, 1933)

Table IX prominently reveals that those States in which State property is interpreted to be only that which has been constructed by the State in its sovereign capacity, or to which the State has contributed in part, the volume of insurance carried in the fund is lowest, ranking fourth for Alabama and fifth for Florida. Those States that claim an interest in all public property rank highest in insurance volume; Wisconsin first, South Carolina second, and North Dakota third.

TABLE X
TOTAL PREMIUMS RECEIVED BY EACH OF THE FIVE
STATE INSURANCE FUNDS

State	Rank	Premiums written	Data years
1	2	3	4
North Dakota	1	\$3,920,613.07	1919-1933
Wisconsin	2	3,261,715.64	1903-1931
South Carolina	3	2,443,287.99	1900-1904
Alabama	4	1,409,366.98	1923-1933
Florida	5	642,147.56	1917-1933

North Dakota ranks first in premium income. Its rates were standard up to August 1931; from 1931 to August 1933 rates were 75 per cent. of published rates; from 1933 to 1935, 60 per cent. of the General Inspection Bureau rates were used.⁶⁵

Wisconsin, ranking second, has had a varied rate as the fund grew. Starting with an average rate charged by responsible insurance companies, it reduced this rate to 75 per cent. of stock company rates.⁶⁶ By 1933 rates were

65. S. A. Olness and F. E. Tunell, Op. Cit., p. 7.

66. W. Stanley Smith, Annual Report of the Commissioner of Insurance (Madison, Wisconsin: 1925) p. 58.

down to 51 per cent. of stock company rates.⁶⁷ Not until 1913 was all state property given the privilege to insure. South Carolina, in third place, does not charge premiums for tornado insurance and excluded some property during the early period of operation. Rates changed from standard to 80 per cent. and finally, since 1926, a large portion of the risks carried pays no premiums.

Alabama and Florida maintain their relative rank, fourth and fifty, respectively as in Table IX. Alabama receives premiums from county and rural schools which materially increases the premium income.

TABLE XI

TOTAL LOSSES PAID OVER THE ENTIRE OPERATION PERIODS^a

State	Rank	Losses Paid	Period of Operation
1	2	3	4
North Dakota	1	\$2,470,083.77	1919-1933
South Carolina	2	2,206,815.85	1919-1933
Wisconsin	3	1,152,548.31	1903-1931
Alabama	4	1,134,163.19	1923-1934
Florida	5	175,779.32	1917-1933

a. Losses paid includes every expense, such as operation, inspection, investment, inventory. Insurance companies class only risks paid for as losses and include other expenses under operation expenses classed simply as "expense."

67. H. J. Mortensen, Letter (Madison, Wisconsin: July 21, 1933)

Table XI shows North Dakota's losses higher than those of South Carolina which has operated over a period of nineteen years more. The reason for this has not been ascertained. The value of insurance carried is nearly equal, as Table IX brings out. Wisconsin and Alabama are nearly equal in loss payments although Wisconsin has operated twenty more years. Whether the inspection service of Wisconsin is more thorough and more strictly enforced than that of Alabama, or whether the risks, moral and natural, are greater in one State than the other also is not ascertainable from the data at hand. This must be an interesting problem for investigation by the student interested in the problem connected with State Insurance plans. Florida's losses are low, and this is as it should be when State property only is carried which usually represents a type highly fire-resistive.

In our next Table No. XII, we see how the losses just compared, rate in comparison with the premiums received.

TABLE XII
RATIO OF LOSSES TO PREMIUM INCOME

State	Rank	Per Cent.	Period of Operation
1	2	3	4
Florida	1	27.3	1917-1933
Wisconsin	2	35.3	1903-1931
North Dakota	3	63.3	1919-1933
Alabama	4	80.4	1923-1934
South Carolina	5	90.3	1900-1933

The rankings of Table XI and XII could be arranged in reverse order. Since losses are generally regarded unfavorably from the purely business viewpoint insurance companies rank low-loss ratios first. When States establish insurance funds, insurance is written purely for the protection it affords and the losses that can be paid for out of the least premium income. Hence our ranks are arranged in an order which places high losses first in Table XI and low-loss ratios first in Table XII.

South Carolina and Alabama's loss ratios rank unusually high, 90.3 per cent. and 80.4 per cent, respectively. This would be considered by insurance companies as an unsuccessful venture from the viewpoint of those owning the insurance stock. Being a State enterprise, with the profit objective eliminated and with full protection provided for the property carried, State insurance in these two States cannot be termed unsuccessful. Reviewing Table III, Column 16, we see Alabama charging only 60 per cent. of Board rates and South Carolina 80 per cent. with tornado insurance free since inception of the plan and a large portion of free fire insurance since 1926 in the latter State. Combining all these facts the conclusion that these insurance funds of these two high-loss ratio States are satisfactory must be sustained.

The three States, North Dakota, Wisconsin and Florida have loss ratios well within the experience shown by stock

companies, and can be classed none other than successful State enterprises. The fact that these tables include in the term "losses" every expense and not only the losses paid for destroyed or damaged property as do the Commercial tables, must be borne in mind when forming judgments from these tables as to the success or failure of State insurance enterprises. If we deduct operation expenses, the loss ratios would be somewhat lower although not signally so, since the operation expenses of State plans are exceedingly low.

To show the low operation costs of the State insurance plans and to provide ratios which, when deducted from the ratios comparable with standard insurance tables of loss comparisons, Table XIII has been prepared.

TABLE XIII
RATIOS OF OPERATION COSTS TO PREMIUMS OF FIVE STATE
INSURANCE FUNDS^a

State	Rank	Ratios(%)	Operation Period
1	2	3	4
Wisconsin	1	2.8	1903-1931
North Dakota	2	2.94	1919-1933
Alabama	3	3.06	1923-1934
South Carolina	4	3.8	1900-1933
Florida	5	7.7	1917-1933

a. The state having the most favorable operation cost is ranked first, with the others following in order.

The operation costs, compared with premium income, are very low, reflect economical State management, elimination of the cost of securing business, and bear out the contentions of those who advocate State insurance for State property that the government can perform this service for less than can the stock companies as now operated. Stock companies maintain that their expenses are from 30 per cent. to 50 per cent. of the premium income.⁶⁸

Stock insurance tables are not prepared to show losses as compared with the item of premiums earned plus other earnings, as interest from investments. In stock company comparisons no "banking" profit must enter into the underwriting profits. For State insurance funds it is nevertheless interesting to make this comparison. All the State funds do invest the surplus funds and because of the earnings from investments have reduced premium rates, provide free insurance, or plan to do so. Table XIV ranks the States having insurance funds in accordance with their net earnings.

68. Insurance Practices and Experiences of City School Districts of the U. S. and Canada, Op. Cit., p. 14, p. 17.

TABLE XIV

COMPARATIVE RANK OF FIVE STATE INSURANCE FUNDS BASED ON
NET EARNINGS (PREMIUMS MINUS LOSSES PLUS INTEREST)

State	Rank	Net Earnings	Operation Period
1	2	3	4
Wisconsin ^a	1	\$3,021,250.23	1903-1932
North Dakota	2	1,825,410.36	1919-1933
South Carolina	3	842,808.34	1900-1933
Florida	4	557,304.77	1917-1933
Alabama ^b	5	386,976.70	1923-1934

a. H. J. Mortensen, Report of the Commissioner of Insurance, (Madison, Wisconsin: 1933), p. 73.

b. Annual Report of State Fire Fund (State Board of Administration, Montgomery, Alabama: 1934), p. 12.

From Table XIV we observe what sizable accounts the various State insurance funds have accumulated. Wisconsin ranks first with over three million dollars, the largest net earnings of the group. North Dakota with nearly two millions and South Carolina slightly below a million dollars are second and third respectively. Florida with a little over a half a million ranks fourth and Alabama ranks fifth, having some over a quarter million dollars of funds representing net earnings.

While we have already compared the losses to premium income, a further comparison of losses to premium income plus the interest earned on the unused premiums would show

the ratio of total losses to the total sums that were available. These ratios are shown in Table XV.

TABLE XV
RATIO OF LOSSES TO PREMIUMS EARNED PLUS INTERESTS EARNED

State	Rank	Ratio(%)	Period of Operation
1	2	3	4
Florida	1	23.3	1917-1933
Wisconsin	2	29.1	1903-1931
North Dakota	3	57.4	1919-1933
South Carolina	4	71.7	1900-1933
Alabama	5	78.2	1925-1934

In Table XV, in which the ratio of low loss is ranked as first, Florida holds this position with the low per cent. of 23.3. Wisconsin has only a 29.1 per cent. loss. North Dakota has a little less than half of the money received from premiums and interest left in her insurance fund. South Carolina has spent a little over 70 per cent., and Alabama has spent over three fourths of all the monies that accumulated and that have been earned from interest. Comparison with Table XII shows that the rankings remain identical for all the States except that South Carolina advances one rank and displaces Alabama which drops to the lowest or fifth position.

To bring together all the rankings of Tables IX to XV for a condensed comparison, Table XVI has been prepared.

TABLE XVI

RANKINGS FROM TABLES IX TO XV COMPARING THE VARIOUS ITEMS OF STATES HAVING FIRE INSURANCE FUNDS

State	Insurance Carried	Premiums Received	Losses Paid	Ratio Losses to Prem.	Ratio Expen. to Prem.	Net Earn.	Ratio Losses to Total Earn.
Table ^a	IX	X	XI	XII	XIII	XIV	XV
1	2	3	4	5	6	7	8
Wis.	1	2	3	2	1	1	2
S. Car.	2	3	2	5	4	3	4
N. Dak.	3	1	1	3	2	2	3
Ala.	4	4	4	4	3	5	5
Fla.	5	5	5	1	5	4	1

a. Refers to the table from which the rankings were taken.

As would be expected from the many variations the different State insurance plans contain and adding to this the variations incident to the hazards against which loss protection is sought, and the human element of management and moral risk, we see a lack of correlation which can be partially explained from the facts already presented heretofore.

In column 3 of Table XVI, premiums received vary in comparison with insurance valuations carried in accordance with rate reductions. The losses paid, column 4, vary with

their occurrence or non-occurrence depending largely on the type of construction inherent in the protected structure and slightly on moral factors. For State owned structures the moral risk is slight. Carelessness on the part of engineers and custodians of buildings may be a slightly greater element of risk entering into the occurrences of fires in government structures.

The ratio of losses to premiums received, column 5, varies greatly for South Carolina, North Dakota, and Florida. For South Carolina the large amount of free insurance carried has increased this ratio noticeably. North Dakota has also entered the period when premium rates have been sharply reduced. Florida, adhering to insuring purely State government structures, maintains a ratio generally favorable to the better type of government construction. Alabama shows no variation from previous ranks and Wisconsin none in comparison with premiums received.

In column 6, ratios of expenses to premiums earned, the different States rank approximately as would be expected when compared with premiums received.

For net earnings, column 7, the variations are not great. South Carolina shows earnings decreasing or losses unusually heavy. Alabama's earnings are not commensurate with the State's other rankings. Florida, North Dakota, and Wisconsin hold favorable positions.

In the ratio of losses to total earnings, column 8, Florida shifts markedly to first position; the other States maintain their relative positions approximately.

From the data presented in the official reports all the State plans of property insurance are in operation and appear to be gaining in assets, despite the fact that rates are very favorable to the assured and in some cases decidedly below Board rates. None have failed, although one had to weather a period of heavy losses in its initial period of operation. To compare this record with types of organizations providing property insurance protection the table appearing as number XVII has been adapted.⁶⁹

TABLE XVII

SURVIVAL PERCENTAGES OF THE THREE MAIN TYPES OF INSURANCE CARRIERS

Type	No. in Business in 1920	No. New Organ. Since 1920	Failed, Retired, Removed Since 1920	No. in Business in 1930	Survival Percentage
1	2	3	4	5	6
Reciprocal	200	53	145	105	42%
Stock	847	209	256	700	73%
Mutuals	2436	182	147	2471	94%

69. Insurance Practice and Experiences of City School Districts of the U. S. and Canada, Op. Cit., p. 14.

From this statement, the facts show that of the reciprocals or inter-insurance exchanges in existence and newly organized, over a ten year period, had a survival percentage of only 42 per cent.; the stock companies, of 73 per cent.; and the mutuals the excellent record of 94 per cent.

SUMMARY:

The five State insurance funds in operation all have survived. The property protected varies from a little over three quarters of a million dollars in the smallest to over 123 million dollars in the largest fund. About 25% of the stock companies reorganize, combine or fail.

The State insurance plans adhered to the regularly adopted Board rates during the early period of operation, except as to Alabama which always has had a 60 per cent. rate. As the surplus funds gradually accumulated, rates were reduced. Wisconsin reduced to the low rate of 51 per cent. of Board, and South Carolina had no rate whatever on a large share of its property carried free since 1926 and known as free or open policies.

One State carried all tornado insurance free on all policies and the bulk of fire protection in open or free policies.

The losses paid range from about \$176,000 in Florida to about two and a half million in North Dakota.

The ratio of losses to premiums varies from about 27 to 90 per cent. The balance of the premium income is invested in a class of high character securities.

The operation costs are highly favorable to the State plans and very much lower than those of stock companies. The range is from 2.8 per cent. to 7.7 per cent. of the premium earned.

The net earnings, excess assets plus the interest earned, are about \$397,000 for the lowest fund, Alabama, and over three million dollars for the State fund of Wisconsin. A comparison of losses to net earnings shows a varying result of about 23 per cent. for Florida, the fund of lowest losses, to 78 per cent. for Alabama, the one of highest loss experience.

A notable fact is that all have been successful in that all losses have been paid promptly and that South Carolina has reached the maximum limit of assets and is providing free insurance on all property insured five years or longer, and that another fund, North Dakota, is ready to inaugurate a program of free insurance as long as assets remain over two million dollars.

CHAPTER VI

THE ADVANTAGES OF A STATE PLAN OF PUBLIC PROPERTY INSURANCE
TO THE ASSURED

During the early years of operation of a State plan of property insurance, no great advantage can accrue to the units insuring therein. If the law establishing the act provides for an excess loss fund, it nevertheless provides further that this be repaid out of future earnings. In order to accumulate assets the regular standard rate of premium must be collected. The valuations generally are maintained as they previously were until new inspections and appraisals can be made, except as to Alabama which restricted valuations of schools in rural territory to only 75 per cent. of actual value.⁷⁰ References to Table III, Column 16, shows four states, Alabama, North Dakota, South Carolina and Wisconsin having rates varying from 40 to 20 per cent. below standard. These rates represent those established after the operation experiences had shown that income was exceeding disbursements. Alabama always has had the 60 per cent. rate on that part which was retained in the fund, but the portion to be reinsured was charged for at standard rates.⁷¹

For the early years no advantage can be found for the

70. Annual Report State Insurance Fund, Op. Cit., p. 22, paragraph 4.

71. Ibid., p. 4.

assured as no reduction of premium payments is common.

None of the laws establishing State Insurance plans demand cancellation of existing insurance, ordinarily written for a term of from one to five years, if in existence at the time the act was passed. This contemplates a gradual change over to a State plan and retards the early accumulation of sufficient funds to make possible the adoption of lower than commercial rates.

The cost of reinsurance materially reduces the early accumulation of assets, but is a safety measure to provide adequate protection while reserve funds are still low. This practice avoids criticism of the State Insurance Fund having to resort to borrowing from the General Revenue Fund. While one State appropriated \$100,000 as an excess fund to be used only when other assets were insufficient, it is maintained by some that this never was appropriated and available.⁷²

As the State Insurance Funds grow, as they should if carefully managed on property insurance principles, there comes a time when no further large yearly accretions from premiums need be collected because the interest on the invested accumulated surplus displaces premiums.

No uniformity exists as to the value these funds must

72. Percy F. Garnett, The History of Various State Insurance Experiments, (Board of Fire Underwriters of the Pacific, San Francisco: 1934), p. 19.

attain before reductions in rates are granted. In practice, experience shows, all State Funds have reduced rates before the maximum limit, if any established, had been built up.

Alabama started operations with a 60 per cent. rate from the beginning and claims a saving to the assured of \$1,258,000; but a tax paid on insurance premiums of 2 per cent. would reduce the actual saving to about \$1,210,940 over eleven years of operation.⁷³

The Florida Fund has assets of earnings of about a half million dollars. From this has been deducted the 2 per cent. premium tax and no further savings can be claimed since no rate reductions are made. This covers a sixteen year period.

For North Dakota rate reductions were made in 1931 and again in 1933. The savings made are estimated at \$299,191 directly on rates and about \$85,000 from deviations in rates granted by the reinsurance companies.⁷⁴ To this the total net earnings must be added as shown in Table VI, line 5, leaving a total saving of \$2,209,601 over fourteen years of operation.

The savings made by the South Carolina Fund have been combined in yearly totals and given for the current year only. The annual savings on open policies, free tornado insurance,

73. Annual Report State Insurance Fund, Op. Cit., pp. 6, 8.

74. S. A. Olsness and F. E. Tunell, Op. Cit., p. 30.

and lowered rates is given as \$299,926 for 1932.⁷⁵ Since 1926, the fund has remained around a million dollars, approximately. Taking the fire insurance at an average annual worth of \$250,000 over eight years would total a savings exhibit of approximately \$3,000,000. The reinsurance fund has an additional quarter million dollars built up from paying reinsurance premiums into a special fund instead of to insurance companies.⁷⁶ Approximately \$3,250,000 may be the savings for South Carolina over thirty-five years.

The Wisconsin Fire Fund claims to have saved the State about \$1,042,796 and the other State units about \$233,571 since 1903, the total being \$1,276,367 for both.⁷⁷ When interest and asset sales are added, the total is about \$1,963,338.

In summary form, for convenient comparison, the figures heretofore cited are brought together in Table XVIII.

75. M. J. Miller, Report of the Sinking Fund Commissioners.

76. Ibid., p. 12.

77. H. J. Mortensen, State Fire Fund (Madison, Wisconsin: 1933), p. 3.

TABLE XVIII
SAVINGS CLAIMED BY THE VARIOUS STATE FIRE FUNDS
IN NET EARNINGS PLUS REDUCTIONS

State	Savings
Alabama	\$1,210,940
Florida	500,000
North Dakota.	2,209,601
South Carolina.	3,250,000
Wisconsin	1,963,338

Authorities may differ as to designating these assets and interest earnings, savings insofar as they were actually paid out by the various States and State units and remain in the State insurance funds. If, however, the premiums had been paid to private insurance companies, they would have been consumed entirely at the expiration of the insurance term. The reductions in premiums must be classed as savings; and, as the net earnings in the insurance fund still retain purchasing power, these may be classed as savings; applying these surplus funds to reduce existing State insurance rates is certainly a saving to the units purchasing insurance.

The loaning of excess funds to State units has made available a ready source of money without incurring the expenses incident to bonding. If the proper investment

knowledge is applied to placing these loans, no serious objections can arise.

The low operating cost exhibited by State insurance plans is a very outstanding achievement and has contributed large accretions to surplus. This cost ranges from about three to eight per cent. of premiums earned; in contrast stands the operating cost of from 30 per cent. to 50 per cent. of the stock insurance companies.

CHAPTER VII

THE DISADVANTAGES OF STATE INSURANCE PLANS TO THE ASSURED

What disadvantage can a State insurance plan have that is not also a disadvantage when insuring in stock companies? Some of the disadvantages to be cited may appear of minor consequence.

Not many of the six State plans now in operation set a too low maximum valuation on which insurance can be placed. Only two State plans, Alabama and Florida, allow 75 per cent. of sound value to be insured with the fire insurance fund. Alabama applies this regulation to rural schools only, and Florida to all property. Since no other insurance can be carried to protect against the excess loss in case of destruction, the insured would be required to take the loss as unavoidable.

A disadvantage that may become a reality exists in not keeping sufficient assets liquid to meet sudden extensive losses. No case of this type has come to light from official reports, in this investigation. That a case of this type has arisen has been reported from other than official sources. The loss amounted to \$22,500 and the liquid assets were only \$15,000.⁷⁸

78. Percy F. Garnett, Op. Cit., pp. 18-19. Reports the Marshall County high school at Guntersville, Alabama, destroyed. He further reports that pursuant to a resolution creating a joint legislative committee for a searching investigation of the Alabama State insurance fund the first financial statement was issued covering a nine year period.

Laxness in collecting the premiums due from the various political units may show up large accounts receivable and bills receivable.⁷⁹ These are shown as assets, but they are not liquid nor may interest be realized from the accounts receivable.⁸⁰ Should the commissioners of insurance be elected to office and also serve as the managers of the State insurance fund, they may be desirous of building political prestige by lax enforcement of the State insurance law.

The excess-loss protective feature of the State insurance funds may delay prompt settlement. Generally access is granted to the General Revenue Fund of the State. If the money therein has been appropriated and no surplus remains, settlement for incurred losses must wait until the next legislature may provide the necessary funds; and, should no appropriation be made, then settlement would have to be made out of future premium accumulations. Only one State fund, Wisconsin, of necessity resorted to this feature; and another, Alabama, may have, but the evidence is not conclusive.

Every State insurance plan should provide for the publishing of complete and detailed reports at frequent, possibly biennial periods; and provide for the dissemination of the information to keep the public informed. These reports should

79. S. A. Clsness and F. E. Tunell, Op. Cit., pp. 22-23, shows \$92,000 carried as bills receivable and accounts receivable.

80. Percy F. Garnett, Op. Cit., p. 19. Alabama carried \$248,774 as accounts receivable.

be of value in those states where a class of property exists that may or may not insure in the State fund. Wisconsin has a large class of property that belongs to this class. North Dakota has 4,619 rural schools not insured in the fund, which is approximately 80 per cent. not receiving the benefits State insurance is to provide.⁸¹ Indirectly, the benefits which large volume provides in insurance, are thus lost to the insured now in the fund.

In summing up the disadvantages, no one can assert that they are serious or that their present effect is directly a loss or hindrance to those political units carrying property insurance in the fund. The defects cited should be eliminated, however, because proper management cannot tolerate them; they provide excellent propoganda material directed to the purpose of discrediting State insurance plans by interests unfriendly toward State ventures in State property insurance.

81. S. A. Olsness and F. E. Tunell, Op. Cit., p. 50.

CHAPTER VIII
SUMMARY OF FINDINGS

Six States have provided Fire, Tornado and Hail damage insurance for structures directly under the control of the State or its political subdivisions. South Carolina established this plan in 1900, Wisconsin in 1903, Florida in 1917, North Dakota in 1919, Alabama in 1923, and Montana in 1935.

The property subject to the compulsory provisions varies in the different State plans. South Carolina compels all State property to be insured in its fund. Wisconsin compels such property as is owned by the State in its sovereign capacity to carry fire and tornado protection under the State plan. The property of the political subdivisions may, on application, have the protection of the State fund for either fire or tornado. Florida insures only State property owned in its sovereign capacity. North Dakota makes no distinction between the property of the State and the property of the political subdivisions, excepting, however, from compulsory insurance such as is located outside of incorporated limits of political units. Alabama insures the State property proper and extends the compulsory insurance proviso to include such property as has used State appropriated funds to some degree in construction of the property. Montana requires all public property to be insured in the fund, exempting only isolated

units that are too inaccessible to be inspected at reasonable cost prior to acceptance.

All the State plans make use of accepted principles of insurance practices long used by private insurance companies. Policies are written at established rates on less than full valuations, inspections and appraisals made, fire hazards checked and reinsurance taken with reliable stock insurance companies. Accumulated surplus funds are as carefully invested as other State funds to provide additional income which becomes part of the insurance surplus.

The management legally is assigned to insurance commissioners, State Treasurers, administrative Boards, or special Boards, constituted by designating existing State officials as the directors of the Fund. In practice, however, a manager, or director, or secretary is appointed who has the responsibility of conducting the insurance fund as a division of the office under which it was legally allocated. Wisconsin, representing the largest fund and the most favorable experience, provides only four employees including the manager. The existing office of State Fire Marshal is compelled to assist in making inspections by most of the State plans.

All the State fire funds exhibit a remarkably low operation cost, ranging from about 3 per cent. of premiums earned in Wisconsin, North Dakota, and Alabama, to 4 per cent. in South Carolina and 8 per cent. in Florida. One State, Alabama,

provides that operation costs cannot exceed 6 per cent. of premium earned; another, North Dakota, allows 10 per cent. of premiums earned. The other States allow such as are necessary. State Fund operation costs present a marked contrast to the operation cost exhibited by stock companies, who maintain that from 30 per cent. to 50 per cent. of premiums earned must be set aside for operation expense.

All of the State plans, except Alabama with 60 per cent., began operating using Standard Board rates applicable in their own State. As surplus funds accumulated reductions of 20 per cent., 25 per cent., and 49 per cent. of Board rates have been adopted. All premiums are payable out of the insured's own budget. Three States will eventually provide free insurance when the maximum surplus set by law has been accumulated. Montana, North Dakota, and South Carolina have this free insurance proviso. South Carolina has operated on this basis since 1926, excluding, however, all property from participating in free insurance until five annual premiums have been contributed to the insurance fund. North Dakota will provide free insurance from August 1, 1935. Wisconsin offers to the non-compulsory units insurance at 70 per cent., 80 per cent., or 90 per cent. of insurable value and applies co-insurance rates.

Reinsurance is an accepted safety measure of all the State plans and the premiums are payable out of the insurance

fund except in the Florida plan where the State Treasury bears this expense. All property units of large valuations are reinsured; sometimes a legal scale for reinsurance is incorporated in the insurance law, but more generally the manager or Supervising Board determines the portion of the valuation of a large risk that must be reinsured to avoid depleting the fund in case of loss. As the insurance surplus grows, reinsuring large risks becomes less necessary and is resorted to in a lesser degree if statutes permit. South Carolina has ceased reinsuring with private companies, and has adopted the practice of paying what would be the reinsurance premiums into a special Reinsurance Fund operated by the State. Wisconsin has ceased buying reinsurance. In North Dakota changes in the insurance statute have greatly reduced the types of structures on which reinsurance formerly was required. Reinsurance companies, too, have voluntarily reduced reinsurance rates and have also allowed a 15 per cent. commission on premiums; these are savings which benefit the State Funds. The State reinsurance business has been eagerly sought by private companies.

Four of six State plans provide excess loss protection by permitting the insurance fund manager to draw on the General Revenue Fund of the State, should assets be insufficient to meet losses suffered. Restitution must be made out of future earnings. Only one State, Wisconsin, has ever used

this extra protective feature.

The assets of the five State insurance plans range from about \$400,000 for Alabama to over \$3,000,000 for Wisconsin. These assets represent surplus earnings and testify to the fact that all obligations have been paid. With the data here presented, the success of State Insurance plans must be granted. The rate reductions and free insurance granted has limited the accumulation of larger assets, but has directly benefitted the assured in the savings made. None of the State plans has failed or approached failure. Over a period of ten years about 25 per cent. of stock companies disappear through failure, absorption, or liquidation. The assets, in part, are invested in securities of a high grade character and the earnings added to assets.

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APPENDIX-A

SELF-INSURANCE IN CITIES

A number of the larger cities in the United States carry their own fire insurance. A report on school fire insurance, compiled by the Board of Education of Flint, Michigan, under date of May 1, 1926, contains the names of the following cities as carrying their own school fire insurance and lists the approximate value of school property in these cities.

Chicago, Ill.	\$300,000,000
Philadelphia, Pa.	65,000,000
Detroit, Mich.	49,100,000
Boston, Mass.	30,000,000
San Francisco, Cal.	25,000,000
Kansas City, Mo.	23,500,000
Rochester, N. Y.	20,000,000
Seattle, Wash.	12,000,000
Grand Rapids, Mich.	10,000,000
Flint, Mich.	9,000,000
Worcester, Mass.	8,746,948
Providence, R. I.	8,500,000
Springfield, Mass.	7,250,000
Cambridge, Mass.	3,762,598
Davenport, Iowa	3,407,920

In answer to the questionnaire concerning school fire insurance sent out by Harvey A. Smith, the school officials of seven cities not included in the tabulated list stated that these seven cities carried their own fire insurance on public school buildings.¹

The seven additional cities are:

New Bedford, Mass.
Cincinnati, Ohio
Milwaukee, Wis.
Rockford, Ill.
Washington, D. C.
St. Paul, Minn.
New York City

1. Harvey A. Smith, Economy in Public School Fire Insurance (New York City: Teachers' College, Contributions to Education, No. 428, Columbia, 1930), p. 99-100.

In answer to questionnaires sent out by the National Association of Public School Business Officials during the year, 1931 shows an increase of 29 cities over the 22 already carrying self-insurance as shown on the 1929 report. These cities are:²

Saginaw, Mich.
 Columbus, Ohio
 Troy, N. Y.
 Dallas, Texas
 Houston, Texas
 Akron, Ohio
 Utica, N. Y.
 Toledo, Ohio
 Omaha, Neb.
 Youngstown, Ohio
 Little Rock, Ark.
 Northampton, Mass.
 Sommerville, Mass.
 Highland Park, Mich.
 Beverly, Mass.

Quincy, Mass.
 Brockline, N. Y.
 Holyoke, Mass.
 Tacoma, Wash.
 Newton, Mass.
 Cleveland, Ohio
 San Antonio, Texas
 St. Louis, Mo.
 Quincy, Ill.
 Cortland, N. Y.
 Jamestown, N. Y.
 Batavia, N. Y.
 East St. Louis, Ill.
 Fitchburg, Mass.

2. National Association of Public School Business Officials, Insurance Practices and Experience of City School Districts of the United States and Canada (Trenton, New Jersey, John S. Mount, Secretary, 1932), p. 109.

APPENDIX-B

542 S. Fifth St. W.
Missoula, Montana

Dear Sir:

In order to get the most up-to-date information on the insurance of public school buildings and other public buildings in the several states of the union, I am making a nationwide investigation.

As every insurance man knows, the capital outlay for school buildings in the United States amounts to about \$9,302,048,000. Most of this property faces the hazard of fire the same as any private property. Much of it is exposed also to the risk of loss through windstorm and tornado.

This question involves the reduction of school and government costs which is a pressing issue at this time. Recent attempts to reduce school costs have brought under observation the expenditures for fire and other types of insurance carried on school structures and school equipment.

A short inquiry sheet is attached which will take about ten or fifteen minutes of your time to answer, insert in the return envelope, and drop into the mail. It is prepared in such form as to require usually the writing of either "yes" or "no".

Should you be interested in a summary of this study, please write the appropriate word in the last blank on the inquiry sheet.

If reports, or other tabulated or prepared material, are available and which contain any of the data asked for, or additional data, will you please send it.

I am attaching some stamps to this letter which may be used to pay the postage for the reports or other material you may be able to send.

Yours very truly,

W. A. E. Weiss

Name _____ Address _____

Answered By _____

1. Does your state by law require all public school buildings and equipment to be protected against the hazard of loss by fire? 1. _____
2. Of loss by windstorn? 2. _____
3. Of loss by earthquake? 3. _____
4. Of loss by flood? 4. _____
5. Of loss by _____? 5. _____
6. Is this law contained in the school code? 6. _____
7. In the political code? 7. _____
8. In the General Statutes? 8. _____
9. If you have no state law requiring insurance of public school property, is it the practice of your school officials to carry insurance on their own initiative? 9. _____
10. Is insurance on public school buildings in your state to be written only with such companies as maintain agencies in your state? 10. _____
11. Must public school property insurance be carried in stock companies? 11. _____
12. May public school property be carried in mutuals? 12. _____
13. Does your STATE have a plan whereby it underwrites the hazards of fire loss on the public school property of the state? (Commonly called STATE INSURANCE) 13. _____
14. Does the STATE have a similar plan for the hazard of loss by tornado? 14. _____
15. If so--is the STATE plan of underwriting fire and tornado losses less expensive to the taxpayer than insuring in private companies? 15. _____

16. Does your State have a plan whereby it underwrites any other losses than those mentioned in 13 and 14 above? 16. _____
17. Does the State plan of underwriting cover public schools and equipment in the cities of your state? (Word "cities" to mean a population group as defined in the laws of your state.) 17. _____
18. Does the State plan of underwriting cover public schools and equipment in the incorporated villages of your state? 18. _____
19. Does the State plan of underwriting cover public school and equipment in rural territory? 19. _____
20. Is it mandatory for school officials to insure public school buildings and equipment under the State plan when such property is located in cities? 20a. _____
 in incorporated villages? 20b. _____
 in rural territory? 20c. _____
21. Does the State plan of underwriting include other state structures used for administration of government and for carrying on of State enterprises --namely courthouses, township halls, city halls, capitol buildings, municipal street machinery, county road machinery, fish hatcheries, etc.? 21. _____
22. Is it mandatory for the local and state officials to insure in the State plan the property owned by the following political subdivisions: Township? 22a. _____
 Incorporated villages? 22b. _____
 City? 22c. _____
 County? 22d. _____
 State? 22e. _____

23. When was this State plan of underwriting first established? 23. _____
24. Are reports available dealing with the operation, law, and experience of the State plan of underwriting? 24. _____
25. Can these reports be secured? 25. _____
26. What is the charge for these reports? 26. _____
27. Please give name and address of the official from whom reports can be ordered. 27. _____

28. Do you wish a summary of this study? 28. _____

APPENDIX-C

LAWS ESTABLISHING THE STATE PROPERTY INSURANCE FUNDS

1. State of Alabama

ALABAMA GENERAL LAWS

Regular Session

No. 593)

(S. 417. Foster

AN ACT

Be it enacted by the Legislature of Alabama:

Section 1. A fund is hereby created to be known as the State Insurance Fund to be carried by the State Treasurer for the purpose of insuring against loss by fire or tornado all state owned buildings, or buildings in which the state has appropriated monies for erection or equipment thereof, or property which may have been deeded to the State, and all property, equipment, furniture, fixtures or supplies belonging to or stored in said buildings, and any and all properties of such nature as hereafter may be acquired by the State.

Section 2. That the State Board of Convict Supervisors, or its successors, the legal and official custodians of all physical property belonging to the State, is hereby constituted and designated as the Board through which this Act shall be administered, and is empowered with such authority as may be necessary to carry out its purposes.

Section 3. That the said board shall, by the first of October, after the passage of this Act, or as soon thereafter as possible, make, or cause to be made, an inspection and appraisal of all property, the value of which has not already been satisfactorily established, for the purpose of determining the amount of insurance necessary to be carried on the several properties, and to classify all property and give it the current rating of commercial fire and tornado insurance companies.

Section 4. That all state property shall be insured for 75 per cent of its actual value, and may at the option of the Board be insured up to 100 per cent of said value, except as to rural school houses and equipment, which shall be insured for not more than 75 per cent of their value.

Section 5. That the premium charged shall be based on sixty per cent of the current commercial rate and all of the said premiums shall be paid to the said Board not later than November 15th, of each fiscal year by the treasurers of the several institutions, the heads of several executive departments, and county superintendents of education of several counties, and that all such funds shall be promptly transmitted to the State Treasurer who shall place same to the credit of the State Insurance Fund.

Section 6. That the county superintendents of education of the several counties shall be required to place the said board on the regular pay roll for the amount of premiums, as shown by the schedule of state owned buildings in said county, so that this premium may be paid not later than November 15th of each year, and that in case of failure or refusal to comply with the provisions of this section on the part of any county superintendents or county board of education, that a penalty of ten per cent shall be added to the premium and that the Attorney General be instructed to proceed in the collection of said premium together with the penalty and all costs incident to said collection by due process of law.

Section 7. That the premiums collected under the provisions of this Act shall constitute a trust fund, to be applied only to the purposes of the Act. That all such funds shall be placed in such depositories as may be approved by the Governor at the best rate of interest obtainable for time deposits, such depositories to give suitable bond or securities for such deposits, such bonds or securities to be approved by the Governor; or such funds may be invested in bonds of the United States Government or in bonds of the State of Alabama with the approval of the Governor. That the funds accruing under the operation of this Act shall constitute a sinking fund and surplus which shall be subject to the requisition of the President of the said Board, with the approval of the Governor, for the payment of losses, the necessary expense of the administration and refunds for maintenance.

Section 8. That there is hereby appropriated from the State Treasury the Sum of One Hundred Thousand Dollars

(\$100,000.00) to be available only in case the loss by fire or tornado in any year during the accumulation of the sinking fund shall exceed the premiums collected, and then only in such amount as may be required to pay such loss in addition to the amount of funds on deposit at the time of said loss, less the amounts hereinafter set aside for the purposes of administration, and that when the sinking fund shall have reached the sum of \$500,000 the first surplus above this amount shall be used to reimburse the state treasury for any amount which may have been drawn from this appropriation.

Section 9. That it shall be the duty of the said Board to divide the property of the State into related groups and a strict accounting kept by groups as to amount of premiums collected and losses sustained, and that losses sustained in any group shall be charged to said group and shall not affect the refunds for maintenance to other groups unless the loss exceeds the amount to the credit of any group, in which case such excess shall be paid from the balances appearing in other groups but such excesses to be adjusted in subsequent years. This grouping to be as follows: 1. Administrative departments. 2. Institutions, Eleemosynary, and Correctional. 3. Educational Institutions, University, Auburn, School for Deaf and Blind, Montevallo and Normal Schools. 4. Convict Department. 5. Secondary Agricultural Schools, Rural School Houses and Equipment including County High Schools.

Section 10. That when a sinking fund of \$500,000 has been established, on the first day of July of each year, or as soon thereafter as practicable, a balance sheet shall be prepared showing the amount of such surplus to the credit of each group--in the case of institutions and other state property this statement shall show also the amount of surplus due each institution and in the case of rural school houses the statement shall show the amount of surplus due counties and that such surpluses shall be refunded to each group in accordance with said statement upon a requisition of the President of said Board or the State Auditor, with the approval of the Governor. Such refunds in the hands of treasurers of institutions or treasurers of county school funds, or heads of executive departments, shall be expended for maintenance purposes only.

Section 11. That said Board shall cause to be inspected annually all institutional property to ascertain if the hazard on any property has been increased or reduced, and that sworn statements shall be required of all county superintendents of education annually giving a description of all rural school houses and equipment coming under the

provisions of this act, on prescribed forms which shall show the character of risk and determine the rate of premium.

Section 12. That no part of these funds shall be used to increase the salary of any state employee and only such clerical force, inspection and adjustment expense as may be necessary for the economical administration of the Act shall be paid from said funds, and that such expenditures shall be limited to 10 per cent of the total premiums collected for the first two years of operation, when additional expenses of inspection and valuation will be necessary, and after two years of expense of administration shall be limited to 6 per cent of the amount of premiums collected, or so much thereof as may be required.

Section 13. That, to avoid duplication of work and in the interest of economical operation, the state architect or official inspector of rural school house construction in the Department of Education is hereby made an official inspector of rural school houses and equipment coming under the provisions of this Act, so long as his services in such capacity are satisfactory to the President of the said Board. That the State Board of Education shall be reimbursed for this service from the expense fund on voucher of the President of said Board approved by the Governor in such amount as shall be agreed upon between the president of said Board and the State Superintendent of Education with the approval of the Governor.

Section 14. That in the event a disagreement arises between the President of the Board and any person or persons in charge of any state property as to its true value, or the amount payable under a claim for loss, or the proper premium rate or rates, the matter in disagreement shall be determined by a third person to be agreed upon by the President of the Board and the person or persons disagreeing with him. In case of inability to agree as to the third party the Governor shall appoint same, and the decision of such party so selected shall be final and binding on all parties concerned.

Section 15. That the administrative board under the provisions hereof shall be and is hereby empowered to prescribe such forms, including forms of proof of loss, such rules and regulations as may be found necessary for the proper administration of the provisions of this Act. Furthermore, the said Board shall be authorized to decrease the premium rate after the sinking fund herein provided has been established to such an extent as in their judgment is warranted.

Section 16. That all policies on state property now in force shall not be cancelled or affected by the passage of this Act until expiration dates are reached and that premiums shall be assessed only upon the uninsured amount until the expiration of said insurance now in force. That in case of the expiration of any policy before October 1st of any year, then in such event, the Board shall assume the risk and assess the premium for that year in that proportion of an annual premium as the number of unexpired days before the next October 1st bears to a year. And in case of all such prorata premiums same shall be due and payable on or before the fifteenth day of the next succeeding month, and if not paid shall be subject to the penalty prescribed in Section six of this Act. Provided, that nothing in this Act shall prevent the extending or renewing of any insurance policy or contract until sufficient funds are accumulated under the Act to carry adequate insurance in accordance with the provisions of the Act.

Section 17. That all laws and parts of laws in conflict with the provisions of this Act are hereby repealed.

Approved Oct. 2, 1923.

2. State of Florida

INSURANCE LAWS OF THE STATE OF FLORIDA

CHAPTER VII

State Fire Insurance Fund

1991. (1312) State fire insurance fund.--A fund is hereby created to be carried by the State Treasurer to be designated as the State fire insurance fund. Whenever any policy of insurance now in force upon property of this State shall expire, such property shall not be re-insured in an insurance company or companies, but the State Treasurer shall insure such property and all other State property of an insurable nature which may be created or acquired by the State from time to time in the State fire insurance fund, at not more than three-fourths of its replacement value, and at a rate as nearly as practicable as that charged upon other property of a similar character by licensed insurance companies in this State.

The board of commissioners of State institutions is hereby required to pay premiums upon such property so insured in said fund upon the presentation of a bill for such premiums, by the State Treasurer, and such sums as may be necessary for the payment thereof are hereby appropriated from any moneys in the general revenue fund not otherwise appropriated, and the Comptroller is authorized and directed his warrant in payment of same in favor of the State fire insurance fund upon requisition of the State Treasurer approved by said board.

Should a fire occur upon property insured in the State fire insurance fund that would require more funds to pay the amount of such loss covered by insurance in said fund, than there is at that time available in said fund, in that event there is hereby appropriated out of any funds in the general revenue fund, not otherwise appropriated, a sum which, added to the sum then available in said State fire insurance fund, shall be sufficient to pay the amount of the insurance due: Provided, that in the event any funds shall be paid out of the general revenue fund under the provisions of this Chapter, in excess of the premiums upon State property heretofore or hereafter charged and unpaid, such excess amounts so paid out of the general revenue fund shall be returned to said fund out of the first premium earnings of said fire insurance fund after paying the necessary expenses of administration.

It is hereby made the duty of the board of commissioners of State institutions and all other boards and persons in charge of State property in this State to notify the State Treasurer of all newly erected or acquired property subject to insurance, as soon as erected or acquired, giving its value and any other information the State Treasurer may require in connection with such property; also to notify the State Treasurer immediately of any decrease in value of any property carried in the State fire insurance fund. In case of disagreement between the State Treasurer and the board or person in charge of any State property as to its true value or the amount of the insurance to be carried thereon, or the proper premium rate or rates, the matter in disagreement shall be determined by the board of commissioners of State institutions.

The State Treasurer, in person or by his representative, is hereby authorized and directed to inspect all property of the State insured in the State fire insurance fund, and whenever conditions are found to exist which, in the opinion of the State Treasurer or his representative, are hazardous from the standpoint of destruction by fire, the State

Treasurer, or his representative, is hereby given authority to order the same repaired or remedied, and such boards, officers or persons in charge of such property are required to have such dangerous conditions immediately repaired or remedied upon the written notice from the State Treasurer or his representative of such hazardous condition, and such amounts as may be necessary to comply with such notice or notices shall be paid by the board of commissioners of State institutions or by the board or person in charge of such property out of any moneys appropriated for the maintenance of the respective institutions, or for the repairs or permanent improvement of such insurable properties, or from any incidental or contingent funds they may have on hand. In the event of a disagreement between the State Treasurer and the board or person having charge of such property as to the necessity of the repairs or remedies ordered, the matter in disagreement shall be determined by the board of commissioners of State institutions.

And it shall be the duty of the State Treasurer to report annually to the Governor, for transmittal to the Legislature, at each subsequent regular session, what investigations have been made by him and what actions taken to decrease the fire hazard of the various insurable properties of the State, together with his recommendations as to further safeguards and improvements.

For the purpose of effectively carrying out the provisions of this Chapter, and furnishing other needed help in the insurance branch of his office, the State Treasurer is hereby authorized to employ a competent person with experienced knowledge in the matter of fire insurance rates and risks, and who shall perform such other duties as the State Treasurer may direct, at a salary not exceeding twenty-five hundred dollars per annum, such salary and the necessary expenses incident to the administration of the fund shall be paid out of the State fire insurance fund, and the amounts necessary to pay such salary and expenses are hereby appropriated out of the State fire insurance fund. (Ch. 7294, Acts 1917, paragraph 1, as amended by Ch. 7902, Acts 1919; Ch. 8430, Acts 1921, paragraph 1.)

1992. (See Chapter 14520, Acts of 1929.)

1993. Investment of funds.--Whenever the cash balance in the State fire insurance fund, after paying all accrued expenses and losses, shall exceed fifty thousand dollars, the State Treasurer may invest so much of the surplus funds above that amount as he may deem expedient, in bonds of the

United States, or in county or municipal bonds issued under authority of the laws of the State of Florida, and may sell such bonds or so much thereof at any time if necessary to pay any losses or expenses in excess of the available cash balance in the State fire insurance fund, such sale or sales to be made to the State board of education, the State sinking fund commission, or in the open markets, as the Treasurer may deem most expedient. (Ch. 9151, Acts 1923, paragraph 3.)

CHAPTER 14520--(No. 38).

AN ACT to Amend Section One of Chapter 9150, Laws of Florida, Acts of 1923, Relating to Insurance on State Properties, and Making Appropriation to Carry Out the Purposes of this Act.

Be It Enacted by the Legislature of the State of Florida:

Section 1. That Section One of Chapter 9150, Laws of Florida, Acts of 1923, be and the same is hereby amended so as to read as follows:

"Section 1. No single risk shall be carried in the State Fire Insurance Fund in excess of Fifty Thousand Dollars, except with the approval of the Board of Commissioners of State Institutions. When the amount of insurance necessary on any single risk shall exceed Fifty Thousand Dollars, or such other amount as may be determined by the Board of Commissioners of State Institutions as a safe limit for insurance in the State Fire Insurance Fund, said Board may authorize the State Treasurer to place such additional insurance as the Board may deem necessary, in any fire insurance company or association authorized to transact business in Florida, through duly authorized and licensed local agencies, to an amount not exceeding the replacement value of such properties.

"An amount sufficient to pay the premiums on such insurance is hereby appropriated out of any funds in the State Treasury not otherwise appropriated, to be paid on vouchers approved by the Board of Commissioners of State Institutions."

Section 2. This Act shall take effect upon becoming a law.

Approved June 29, A. D. 1929.

3. State of Montana

STATE INSURANCE OF PUBLIC BUILDINGS AND CONTENTS

Chapter 179, Laws of 1935

An Act to Provide for State Insurance of Public Buildings and Contents; to Provide for the Valuation Thereof; to Provide for the duties of Public Officers in Connection Therewith; to Provide for the Levying of Assessment Premiums, for the Investment and Distribution of the Insurance Fund, and for the Payment of Losses; to Prevent any Other Manner of Insuring Public Property, Except as Herein Provided; and to Provide Penalties for the Violation of This Act.

Section 1. That all public buildings of this State and of each and every political subdivision thereof, and the contents of all such buildings, except as hereinafter provided, shall be insured by the State against all direct loss by fire, lightning, tornado, windstorn, cyclone, hail, explosion, flood and water damage, under the provisions of this Act, which said insurance shall be provided for, determined and paid for as provided by this Act. Provided, however, that officers and authorities having charge of buildings and contents above described may insure against earthquakes and/or other perils not above enumerated in this section.

Section 2. That the State Auditor and Ex-officio Commissioner of Insurance shall keep a book properly indexed wherein he shall record the valuation of all property insured under this Act, and he shall have prepared such blank forms for the reports of valuation and relative hazard of all such property, for losses sustained, and for all other purposes necessary, proper and incidental to the effective operation and enforcement of this Act, and furnish such blank forms to all officers respectively, having charge of all public property insured under this Act. He shall make such rules and regulations as he may from time to time find practicable, necessary and beneficial for the conduct of the business of this department of insurance, not inconsistent with the provisions of this Act.

Section 3. That the valuation of all school houses and the contents thereof, of all school districts, shall be made by the Board of Trustees of such school districts. That the valuation of all county high school buildings and the contents thereof shall be made by the county high school

boards having charge thereof. That the valuation of all public buildings owned by the counties of this State (excepting county high schools) and the contents thereof, shall be determined by the Board of County Commissioners of the county wherein the property is situated. That the valuation of all public buildings including public libraries owned by all cities and incorporated towns in the State, and the contents of such buildings, shall be determined by the Mayor and the Aldermen of the city or town wherein said property is situated. That the valuation of all public buildings owned by the State, subject to this Act, and also all other buildings in the State not enumerated in this Act, together with the contents of all such buildings, shall be determined by the State Board of Examiners.

That the valuations provided for in this Act, shall not include the value of building sites, but shall be the fair and reasonable value of such public buildings and the contents thereof.

Section 4. That the valuations required by this Act shall be made by said officers, respectively, before any existing insurance policy expires, and at least once every three (3) years thereafter; and in case of the erection of new buildings after this Act becomes operative, the proper officer or officers must within ten (10) days after the completion of such new building make the valuation thereof and the valuation of the contents as and when installed. All valuations required under this Act shall be made under oath on the forms and in the manner to be prescribed by the State Auditor and Ex-officio Commissioner of Insurance, and duly acknowledged and forwarded to him. Such valuation so made shall be the fair and reasonable value of all public property insured for the purposes of insurance under this Act.

Section 5. There shall be paid into the State Treasury by the respective Boards and officers having charge of the property insured under this Act, out of the funds from which insurance premiums have heretofore been paid, at the time such property is listed for insurance, as hereinafter provided, or within thirty (30) days thereafter, the amount of the premium for three years' insurance at the prevailing and commonly accepted insurance rate, as determined by the State Auditor and Ex-officio Commissioner of Insurance, which said rate may be adjusted by the State Auditor and Ex-officio Commissioner of Insurance upon report of the Fire Marshal of any change in perils and exposures or error in classification. Insurance shall be written for three years. Upon special request to the Board of Examiners

they may at their option budget the payment over a three-year period. Cancellation for reasonable cause or upon advice of the Fire Marshal shall be allowed and adjusted pro rata. The final and total amount of insurance on any single item shall in due time be adjusted to the valuation as fixed by this Act. All policies under this Act shall be numbered serially.

Section 6. On the first business day of each month the State Auditor and Ex-officio Commissioner of Insurance and the State Treasurer shall pay from the Insurance Fund into the Fire Marshal's Fund one per cent (1%) of the receipts for the preceding month.

Section 7. At the end of each fiscal year the State Auditor and Ex-officio Commissioner of Insurance shall issue and deliver to the Treasurer of every city and town having a Fireman's Disability Fund, as created by Section 5117, Revised Codes of Montana, 1921, as amended by Chapter 58, Session Laws of the Twentieth Legislative Assembly, 1927, and for the benefit of said fund, his warrant, drawn on said insurance fund created by this Act, for an amount to be computed as follows: three per cent (3%) of the total moneys collected from all state insurance of public buildings in all cities and towns in the State of Montana having a Fireman's Disability Fund, shall be divided between the respective Fireman's Disability Funds of the several cities and towns in accordance with the same method of division now provided by Chapter 127 of the Session Acts of Montana of 1933.

Section 8. When the fund is found to exceed One Million Dollars (\$1,000,000.00), then no more premiums shall be assessed until it becomes depleted to less than Seven Hundred Thousand Dollars (\$700,000.00); whereupon assessment premiums, beginning after the last numbered policy paid, shall be levied in serial order until the fund again exceeds One Million Dollars (\$1,000,000.00).

Section 9. The State Board of Examiners must reinsure or purchase excess insurance in a reliable insurance company or companies such portion of their insurance liability as is commensurate with the principles of safe underwriting, and shall prescribe such rules and regulations as may be necessary in placing and handling this reinsurance and/or excess insurance. The cost of the reinsurance is to be paid out of the State Insurance Fund.

Section 10. Notice of premiums due shall be mailed or delivered to the proper officer, officers or Boards in

charge of such property, who shall pay the same as herein provided to the State Treasurer within thirty (30) days from the date of such levy and all assessment premiums levied thereafter to maintain said Insurance Fund shall be on the basis of three years' premium for insurance purposes as hereinbefore described, such assessment premiums to be levied only when needed to replenish and maintain such insurance fund and to be as hereinbefore provided.

Section 11. That the State Treasurer shall receive all moneys paid to him under this Act and place same to the credit of a fund known as the State Insurance Fund, and shall pay same out on warrants drawn on such fund by the State Auditor and Ex-officio Commissioner of Insurance. The said State Insurance Fund shall be invested and administered as a part of the Montana Trust and Legacy Fund under the provisions of Chapter Seventy (70) of the 1929 Session Laws of the State of Montana. All interest and earnings obtained by the State Treasurer from such moneys shall be credited to the State Insurance Fund.

Section 12. That all losses to public buildings and the contents thereof, insured under this Act against losses by fire, lightning, tornado, windstorm, cyclone, hail, explosion, flood and water damage, shall be reported by the respective officer, officers or Boards in charge of such property to the State Auditor and Ex-officio Commissioner of Insurance and the members of the Board or officer or officers in charge of said property shall make a sworn statement of the losses sustained, the cause thereof, and such other information as the State Auditor and Ex-officio Commissioner of Insurance may direct. In case of loss the same may be determined by agreement by the State Auditor and Ex-officio Commissioner of Insurance and said Board, officer or officers; but in case they do not agree, the Governor shall name two County Assessors neither of whom shall be from the county where the loss is incurred and they, together with State Fire Marshal or a special Deputy Fire Marshal, shall appraise and determine the loss sustained. The traveling expenses of such appraisers shall be paid out of the State Insurance Fund.

Section 13. When a loss has been sustained and the amount thereof adjusted, the State Auditor and Ex-officio Commissioner of Insurance shall allow same by an order made on the books of his office and shall issue a warrant in payment thereof on the State Insurance Fund, in favor of the proper officer, officers, or Board in charge of the property destroyed. The State Auditor and Ex-officio Commissioner of Insurance shall also issue warrants on the State Insurance Fund for the payment of expenses authorized under this

Act for the adjustment of losses.

Section 14. Whenever any policy of insurance shall be written under this Act to insure any improvements upon real property in this State against loss as herein provided and the property insured shall be wholly destroyed, without criminal fault on the part of the insured or its assigns, the amount of insurance written in such policy shall be taken conclusively to be the true value of the property insured, and the true amount of loss and measure of damages, and the payment of money as a premium for insurance shall be prima facie evidence that the party paying such insurance is the owner of the property insured: Provided, that the State Auditor and Ex-officio Commissioner of Insurance may set up fraud in obtaining the policy as a defense to a suit thereon.

Section 15. The State Fire Marshal shall investigate the cause, origin and circumstances of each fire occurring to public property, and shall determine whether the fire or other loss to public property insured under this Act was the result of carelessness or design, and for such purposes shall have all the powers and perform all the duties as provided by law for the office of State Fire Marshal. Before any insurance shall be written under this Act, the Fire Marshal shall inspect all buildings subject to the terms of this Act and shall report all unnecessary and avoidable fire hazards, and such hazards shall be corrected and eliminated by the responsible Board of Officers and a sworn report of such action filed with the State Auditor and Ex-officio Commissioner of Insurance before the State Insurance upon the property becomes of force and effect. He shall also report all buildings not properly insurable by reason of low value, extreme hazard or abandonment for more than four (4) months, or because the inspection thereof is unduly expensive by reason of extreme isolation. The State Auditor and Ex-officio Commissioner of Insurance may on such report exclude such buildings from the provisions of insurance and shall collect no fees therefor.

Section 16. That it shall be unlawful for any public officer mentioned in this Act and having charge of any public building or other public property to cause same or its contents to be insured in any other manner than that provided for in this Act, and upon the expiration of insurance now in force, all such property shall be listed and become subject to the provisions of this Act; and in case of loss where there shall be partial insurance on said property, the State Auditor and Ex-officio Commissioner of Insurance shall pay the State's share of the loss out of the State Insurance Fund after same shall have been duly appraised, adjusted and allowed.

Section 17. This Act shall become operative on the first day of June, 1935. The renewal on altered terms or the extension of any existing policies three months prior to the time that this Act becomes operative, without the approval of the State Auditor and Ex-officio Commissioner of Insurance shall be prima facie evidence of an intention to violate the law and such policy shall be cancelled out pro rata and state insurance shall be written for the proper amount.

Section 18. It shall be the duty of all public officers to perform the duties relative to insurance under this Act without other compensation than that allowed by law.

Section 19. Any person who violates the provisions of this Act shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be required to pay a fine of not more than Three Hundred Dollars (\$300.00) or by being imprisoned for not more than six (6) months, or by both such fine and imprisonment. The failure to file a report as required by this Act shall be prima facie evidence of violation of this Act.

Section 20. If any clause, sentence, paragraph, subdivision, section or part of this Act shall be adjudged by any court of competent jurisdiction to be invalid or unconstitutional, such judgment shall not affect, impair, invalidate or nullify the remainder of this act, but shall be confined to the clause, sentence, paragraph, subdivision, section or part immediately involved, and the remainder of this Act shall be given effect.

Section 21. All Acts and parts of Acts contrary to the provisions of this Act are hereby repealed.

Section 22. This Act shall be in force and effect from and after the first day of June, 1935.

Approved March 14, 1935.

4. State of North Dakota

FIRE AND TORNADO LAW

Chapter 15, Laws 1919

Amended Chapter 154, Laws 1925

INSURANCE ON PUBLIC BUILDINGS

State Fire and Tornado Fund

Article 9a. 1925 Supplement to the 1913 Compiled Laws of North Dakota as amended by Chapters 173, and 174, Session Laws of 1929, Chapters 162, 163 and 164 Session Laws of 1931, Chapter 135 Session Laws of 1933.

Section 189c1. STATE BUILDINGS INSURED. On and after August 1st, 1933, no officer or agent of this state and no person or persons having charge of any public buildings or property of the state shall pay out any public moneys or funds on account of any insurance against loss by fire or tornado or shall in any manner contract for or incur any indebtedness against the state on account of any such insurance upon any of the public buildings, furniture or fixtures or property of any kind whatever belonging to the state except in the manner hereinafter provided. (Laws 1919, ch. 159, sec. 1; Laws 1933, chapter 135.)

Section 189c2. REPORT ON STATE BUILDINGS. On August 1st of each odd numbered year, each officer, board of administration or agents of the state of any kind having in charge any public buildings or property of any kind whatsoever belonging to the state, shall report to the Commissioner of Insurance of the state the sound depreciated value of each building or risk and contents therein, and such other information as may be required by the Commissioner of Insurance on forms provided by him, (Laws 1925, ch. 154, sec. 1; Laws 1919, ch. 159, sec. 2; Laws 1933, ch. 135.)

Section 189c3. INSURANCE PROVIDED. RATE OF PREMIUM. On or between July 1st and August 1st, 1933, and each odd numbered year thereafter, the Commissioner shall provide for the insurance in the State Fire and Tornado Fund, and in some reliable Fire and Tornado Insurance Company or Companies doing business in the State of North Dakota, as hereinafter provided, on all state property subject to destruction by fire or tornado, for an amount not to exceed ninety percent (90%) of the actual value of the property, as such value is determined by the Commissioner and the officer or board having control of such property, and for such purpose the Commissioner of Insurance is hereby designated and constituted the custodian of said property. Upon special written request by the officer or board, the Commissioner of Insurance may provide for insurance against loss by hail, in the same manner and form and on such property as is insured against loss by tornado, as provided herein. The Commissioner shall first

determine the insurable value of each article of property and then fix the rate of premiums to be paid by the insured at 60% of the rates promulgated by the General Inspection Bureau. (Laws 1931, ch. 162, sec. 189c3; Laws 1927, ch. 173, sec. 3; Laws 1919, ch. 159, sec. 3; Laws 1933, ch. 135.)

Section 189c4. PREMIUMS TO BE PAID. The Commissioner of Insurance shall, as soon thereafter as possible, certify to the state auditor the amount of insurance upon such property to be carried by the state, with a statement showing the amount of premium, also the name and location of each building and a list of the class of property contained therein, and it shall be the duty of the State Auditor to issue a state warrant on the state treasurer for the payment of premiums so certified to the Commissioner of Insurance for the benefit of and to the credit of the state fire and tornado fund and which shall be used only for the purposes provided for in this act. (Laws 1919, ch. 159, sec.4)

Section 189c5. REPORT ON OTHER BUILDINGS. On August 1st of each odd numbered year, each county auditor, city auditor, township, village and school district clerk, as the case may be, shall report to the Commissioner of Insurance the sound, depreciated or insurable value of each building or risk and contents therein, and such other information as may be required by the Commissioner of Insurance, on forms provided by him. (Laws 1925, ch. 154, sec. 2; Laws 1919, ch. 159, sec. 5; Laws 1933, ch. 135.)

Section 189c6. INSURANCE PROVIDED; PREMIUM. From and after August 1st, 1933, the insurance on all property of any such county, city, township, village or school district, shall be provided for by the Commissioner in the manner provided for the insurance of property of the state, except that the amount of insurance and the premiums thereon shall be certified by the Commissioner to the clerk or auditor of the township, village, city, county or school district. Upon receipt of such certification, the amount of premium so certified shall, on or before sixty days from the date of such certification, be remitted by the proper officer to the Commissioner of Insurance to be by him deposited with the State Treasurer to the credit of the State Fire and Tornado Fund and which shall be used only for the purposes provided for in this Act. In case of failure to pay the same within sixty days from the date of such certification, the township, village, city, county or school district official or officials responsible therefor, shall become jointly and severally, as the case may be, personally liable for the same in an amount equal to double the premium due from such township, village, city, county or school district,

and in case of such default it shall be the duty of the State Insurance Commissioner to notify the Attorney General, who shall bring an action in the courts of this state, or shall direct the State's Attorney of the county in which such delinquency occurs to bring such action, to recover the amount hereinbefore provided for. (Laws 1919, ch. 159, sec. 6; Laws 1933, ch. 135.)

Section 189c7. REPLACEMENT OF POLICIES. No policies of insurance in force on the first day of August, 1933, and covering risks not heretofore required by law to be insured with the State Fire and Tornado Fund shall be cancelled by the Commissioner; but all such risks as and when the policies covering the same shall lapse, expire or be otherwise cancelled, shall be insured with the State Fire and Tornado Fund as herein provided, and the amount of such insurance in said State Fire and Tornado Fund shall be from time to time, increased so as to maintain at all times on the property covered thereby the amount of insurance required by the provisions of this Act. (Laws 1919, ch. 159, sec. 7; Laws 1933, ch. 135.)

Section 189c8. LOSSES. HOW PAID. All losses by fire and tornado shall be paid out of the State Fire and Tornado Fund, and by other reliable insurance companies in which such property shall be insured, as provided by law, in amount not exceeding the amount of insurance upon the particular risk. The losses upon any building or property insured in the State Fire and Tornado Fund, and in reliable fire and tornado insurance companies, whether totally destroyed or partially damaged by fire or tornado shall be adjusted by the State Commissioner of Insurance, or his duly authorized representative, and by the duly authorized representative of the private insurance companies interested. Immediately upon the happening or occasion, agents or agency having charge or control of the property destroyed or damaged, shall by telegram or in writing, notify the Commissioner of Insurance, giving the description of the property, the amount of insurance carried, the probable amount of loss or damage and the probable cause of loss or damage, and such information shall be immediately transmitted to the private insurance companies interested by said Commissioner. The persons or agency having control of such damaged property shall not disturb the same, except as provided in the policy until the Commissioner of Insurance or his agent, and the duly authorized agent or representative of the interested private insurance companies, shall have appeared and adjusted the loss or shall have notified them that the information on which adjustment is to be made has been secured. Adjustments and allowances for loss and damage to insured property shall

be paid out of the State Fire and Tornado Fund upon warrants drawn by the Commissioner of Insurance upon the State Treasurer against the State Fire and Tornado Fund in proportion to the amount covered by said State Fire and Tornado Fund.

However, if at any time sufficient funds are not available in the State Fire and Tornado Fund to cover its proportion of any loss or damage sustained by fire or tornado, the person or board under whose supervision or charge such building or property might be, shall submit to the Commissioner of Insurance a claim for the amount of its proportion of the adjustment of loss or damage, made by him, which claim, when approved by the Commissioner of Insurance shall be by him submitted to the State Auditing Board, and if the State Auditing Board shall approve the same it shall make it payable ninety (90) days after the end of the next session of the legislature, it shall bear interest at five percent (5%) per annum, and the State Auditor shall on the ninetieth day succeeding the last day of the next session of the legislature draw a warrant upon the State Treasurer against any fund appropriated by such legislature for that purpose, payable to such person or board, as Trustee for the State or political subdivision which they represent, in the amount of such claim with interest. Thereafter, whenever the State Fire and Tornado Fund shall have acquired a surplus sufficient to pay any and all of the claims paid out of such special funds of the State, the Commissioner of Insurance shall draw his warrants upon the State Treasurer against the State Fire and Tornado Fund, payable to the State Treasurer, and deliver the same to the State Treasurer, and the amount of said warrants shall be credited to the general fund of the State. (Laws 1927, ch. 173, sec. 8; Laws 1919, ch. 159, sec. 8.)

Section 189c9. REFUNDS OF PREMIUMS. If and when the State Fire and Tornado Fund shall exceed the sum of \$2,000,000.00 the amount of surplus in excess of the said sum of \$2,000,000.00 shall be refunded to the State, Departments of State, State Institutions, Agencies of the State, Counties, School Districts, Townships, Cities and Villages in proportion to the total amount of premiums charged, less return premiums and premium adjustments allowed.

The amount of refund allowed to each assured as herein provided shall be based on the total premium charged, less returned premiums and premium adjustments allowed to each assured respectively. Provided that the Commissioner of Insurance shall on January first of each uneven numbered year, or as soon thereafter as possible, determine from the surplus on hand, the amount to be refunded to each assured,

and make such refunds in accordance with the foregoing provisions.

Approved March 10, 1931. (Laws of 1931, ch. 164, sec. 189c9; Laws 1927, ch. 174, sec. 9; Laws 1919, ch. 159, sec. 9.)

Section 189c10. ARBITRATION OF LOSS. In case an agreement as to the amount of the loss cannot be arrived at between the Commissioner of Insurance, or his representative, the interested private insurance companies and their representative, and the person or board representing the State or political subdivision, such loss shall be arbitrated, as provided by law. (Laws 1927, ch. 173, sec. 10; Laws 1919, ch. 159, sec. 10.)

Section 189c11. EXPENDITURES. The commissioner may employ the state fire marshal and any of the employees in the department of insurance and such other assistance, and incur such expense as may be necessary to carry out the provisions of this act, but all the expenditures made hereunder for such purposes shall be paid out of the state fire and tornado fund, upon the warrant of the commissioner of insurance drawn upon the state treasurer against the state fire and tornado fund, and such expenditures shall not exceed ten per cent of the earned premiums paid into said state fire and tornado fund. (Laws 1919, ch. 159, sec. 11.)

Section 189c12. PROPERTY EXEMPT. The provisions of this act shall not apply to the property of any town or school district located outside of the incorporated limits of any city or village unless the clerk of the town or school district, at the direction of the town or school board, as the case may be, shall file with the commissioner written application for such insurance that such town or school district come under the provisions of this act and unless such application shall be approved, in writing, by the commissioner of insurance. (Laws 1919, ch. 159, sec. 12.)

Section 189c13. CLASSIFICATION AND LIMITATION OF RISK. It shall be the duty of the Insurance Commissioner to classify all property reported to him under the provisions of Sections 1, 2, 3, 4, 5, and 6 of this Act, into four distinct classifications as hereinafter set forth, and to provide insurance thereon in the State Fire and Tornado Fund and with some reliable fire and tornado insurance company or companies, authorized for the transaction of such business in this state, in accordance with the limitations shown under each classification.

CLASS I. All of the following described property is hereby designated as CLASS I, and the entire risk of all insurance carried upon the same shall be by the State Fire and Tornado Fund.

"A" Fire-proof building, with fire-proof roof.

"AX" Fire-proof building, with combustible roof.

CLASS II. All of the following described property shall be designated as CLASS II, and no single risk thereon in an amount greater than One Hundred Thousand Dollars (\$100,000.00) shall be carried by the State Fire and Tornado Fund.

"B" Brick, stone or concrete building, with gravel, slag, metal, slate, tile composition, or other approved roof.

"BX" Brick, stone or concrete building, with shingle, board or unapproved composition roof.

CLASS III. All of the following described property is hereby designated as CLASS III, and no single risk thereon in an amount greater than Seventy-Five Thousand Dollars (\$75,000.00) shall be carried by the State Fire and Tornado Fund.

"E" Hollow-concrete-block, concrete block or hollow tile building (with or without 4-inch facing), with gravel, slag, metal, slate, tile or approved composition, or other approved roof.

"EX" Hollow-concrete-block, concrete block or hollow tile building (with or without 4-inch facing), with shingle, board, or other unapproved composition roof.

CLASS IV. All of the following described property is hereby designated as CLASS IV, and no single risk thereon in an amount greater than Twenty-five Thousand Dollars (\$25,000.00) shall be carried by the State Fire and Tornado Fund.

"D" Frame building, with gravel, slag, metal, slate, tile or approved composition or other approved roof.

"DX" Frame building, with shingle, board or unapproved composition roof.

"IC" Frame, wood-sheathed, iron-covered building with

gravel, slag, metal, slate, tile or approved composition, or other approved roof.

"ICX" Frame, wood-sheathed, iron-covered building, with shingle, board or unapproved composition roof.

"SIC" Skeleton wood frame, without wood sheathing, iron-covered building with gravel, slag, metal, slate, tile or approved composition, or other approved roof.

"BV" Brick, stone, or hollow-block veneered building, with shingle, board or metal slate, tile or approved composition or other approved roof.

"BVX" Brick, stone, or hollow-block veneered building, with shingle, board or unapproved composition roof.

"P" Frame, plaster or stucco covered building, with gravel, slag, metal, slate, tile or approved composition or other approved roof.

"PX" Frame, plaster or stucco covered building, with shingle, board or unapproved composition roof.

"S" Skeleton steel (incombustible) construction with incombustible roof.

"SS" Skeleton steel construction with combustible roof covered with gravel, slag, metal, slate, tile or approved composition or other approved roof covering.

"SSX" Skeleton steel construction with combustible roof covered with shingle board or unapproved roof covering.

Approved March 10, 1931. (Laws 1931, ch. 162, sec. 189c13; Laws 1927, ch. 173, sec. 13; Laws 1925, ch. 154, sec. 3; Laws 1919, ch. 159, sec. 13.)

Section 189c14. COLLECTION OF PREMIUM. INVESTMENT BY STATE TREASURER. The Commissioner of Insurance shall collect from the state or the political subdivision thereof, the entire premium for all the insurance and deposit it in the State Fire and Tornado Fund, as herein provided, and shall draw his warrant upon the State Treasurer against the State Fire and Tornado Fund for the amount of the premium due upon that portion of the insurance placed with such reliable fire and tornado insurance company or companies.

The State Treasurer shall deposit the State Fire and Tornado Fund in approved State depositories at the usual

rate of interest paid on other funds of the state, subject to check, but whenever there is in such checking account more than \$50,000 the State Treasurer shall deposit same upon time certificates of deposit drawing the same rate of interest as other State funds deposited upon time certificates, or such funds may be invested upon the recommendation of the Commissioner of Insurance in bonds of any state or of the United States. Provided further such funds may be invested in bonds of political subdivisions of the State of North Dakota, but investments in bonds of such political subdivisions shall at no time exceed twenty-five per cent of the amount of the fund and must be bonds of political subdivisions with an assessed valuation in excess of Two Million Dollars (\$2,000,000).

Section 2, EMERGENCY. This act is hereby declared to be an emergency measure and shall take effect and be in full force from and after its passage and approval.

Approved March 10, 1931. (Laws 1931, ch. 163, sec. 189cl4; Laws 1925, ch. 154, sec. 4.)

5. State of South Carolina

Insurance of Public Buildings of South Carolina

AN ACT

To Provide for the Insurance of all Public Buildings of the State and of the Several Counties of the State and of the Public School Buildings by the Sinking Fund Commission.

Section 1. Be it enacted by the General Assembly of the State of South Carolina: That all insurance on public buildings and on the contents thereof of the State of South Carolina and of all institutions supported in whole, or in part, by the State of South Carolina, shall be carried by the Sinking Fund Commission: Provided, That no insurance shall be carried on the State House.

Sec. 2. That all insurance of public buildings of the several counties of the State of South Carolina shall be carried by the Sinking Fund Commission: Provided, That all policies of insurance issued by the Sinking Fund Commission on the public buildings of the several counties of this

State, which are in force on the date of the approval of this Act, shall be cancelled by the Sinking Fund Commission within six months after the date of the approval of this Act and new policies issued at a premium rate to be fixed by the Sinking Fund Commission, as provided in Section 5 of this Act.

Sec. 3. That all insurance of public school buildings and on the contents thereof, whether such buildings are held and operated under the general school laws or laws applicable to special school districts only, shall be carried by the Sinking Fund Commission upon the expiration or cancellation of existing policies, and upon all new insurance.

Sec. 4. The proper officer, official or officials or trustees having by law the care and custody of State and county buildings and of public school buildings shall insure such buildings under the provisions herein set forth, whether such buildings have been heretofore insured or not.

Provided, that should any existing school building or any school building hereafter constructed be abandoned for use for school purposes the Sinking Fund Commission is hereby authorized and empowered to cancel all insurance carried by them on such abandoned school buildings and their contents, and the Sinking Fund Commission shall not be required to renew existing insurance or write any insurance on any such building and its contents, the use of which for school purposes has been discontinued: Provided, That before the cancellation of any insurance the Secretary of the Sinking Fund Commission shall give notice to the proper authorities that such cancellation is to be made at least thirty (30) days prior to cancellation.

Sec. 5. That all insurance carried by the Sinking Fund Commission, as provided for in this Act, shall be carried at the same premium rate which, in the judgment of the Sinking Fund Commission, would be charged by reliable old line insurance companies for carrying this insurance: Provided, That should the said old line insurance companies increase or decrease their rates, the Sinking Fund Commission shall not be required to follow such change in rates if in their judgment the change is not justified.

Sec. 6. That the premium on all policies of insurance issued by the Sinking Fund Commission shall be paid by the officer, official or trustee having the property insured under their care and custody, upon demand of the Sinking Fund Commission, and in the event that there be no

funds on hand with which to make said payment when demand is made, then payment shall be made out of the first funds available for such institution, county, or school district, and until paid the premium due the Sinking Fund Commission shall be a preferred claim: Provided, That the Sinking Fund Commission may charge interest at the rate of five (5%) per cent. per annum on all amounts due and unpaid as premium on policies issued.

Sec. 7. The Sinking Fund Commission shall reinsure upon terms which the Commission may deem most advantageous in reliable insurance company or companies, such portion of their insurance liability as is commensurate with the principles of safe underwriting, and shall from time to time, prescribe such rules and regulations as may be necessary in placing and handling this reinsurance.

Sec. 8. That all funds paid over to the Sinking Fund Commission as premiums on policies of insurance, and all money received from interest on loans and deposits, and from any other source, connected with the insurance of public property, provided for herein, shall be held by the Sinking Fund Commission as an insurance sinking fund, for the purpose of paying all fire losses for which they are liable, and the expenses necessary to the proper conduct of said insurance of public property by the Sinking Fund Commission, and shall be invested by them as are other funds in their hands: Provided, That when the Insurance Sinking Fund, herein provided for, reaches the sum of one million (\$1,000,000) dollars, no further premiums shall be paid until a part of such fund has been used in the payment of losses and expenses; and in that event the premiums of insurance shall be again paid as provided herein, until the fund again reaches the sum of one million (\$1,000,000) dollars.

Provided further, That no building or property at present insured, or that shall be insured hereafter, by the Sinking Fund Commission shall cease to pay premiums until five (5) annual premiums shall have been paid even though such payments increase the Insurance Sinking Fund, herein provided for, beyond the sum of One Million (\$1,000,000.00) Dollars.

Sec. 9. That the Sinking Fund Commission shall notify the officers, officials or trustees having the care and custody of the buildings insured under the provisions of this Act, in writing, in advance of the expiration of policies of insurance on such buildings, and the officer, official or trustee so served with written notice shall

immediately make application to the Sinking Fund Commission for the renewal of said insurance and shall forward, with their application, the amount of premium due the Sinking Fund Commission, on the insurance applied for: Provided, That in the event no funds are available with which to pay the premium at the time application is made, the officer, official or trustee making application shall so state, and the amount, with interest, shall be paid by them out of the first funds available, as provided in Section 6 of this Act.

Sec. 10. That the State Superintendent of Education and the County Superintendents of Education of the several counties of the State shall furnish to the Sinking Fund Commission, on request, a complete list, showing the location of each and every school building in their county, the number of the school district in which such buildings are located and the names and addresses of the trustees having the buildings in charge.

Sec. 11. That all officers, officials and trustees having the care and custody of buildings insured, under the terms of this Act, shall furnish to the Sinking Fund Commission, on request, full information in regard to the character of construction, value, location, exposures, and any other information requested.

Sec. 12. That any officer, official or trustee, upon whom the duties provided in this Act devolves, who fails or refuses to carry out the provisions of this Act, shall be guilty of a misdemeanor and, upon conviction thereof, shall be fined in a sum not less than twenty-five (\$25.00) dollars, nor more than one hundred (\$100.00) dollars, or imprisonment not less than ten nor more than thirty days.

Sec. 13. That the value of all buildings insured under the terms of this Act, as fixed by the policies of insurance on said buildings, now in force, shall be taken to be the value of such buildings, and the value of all public buildings hereafter constructed shall be the actual cost of such buildings: Provided, that where it is desired to increase or decrease the value of any building insured under the terms of this Act, the value of the building or buildings shall be fixed by three appraisers, to be appointed and paid as provided in Section 15 of this Act.

Sec. 14. That the amount of insurance to be carried on all buildings and on the contents thereof, as provided herein, shall be fixed by the officers, officials or trustees having such buildings in their care and custody: Provided, That the amount of insurance to be carried, as fixed by

them, shall in no event exceed the value of the building and contents to be insured.

That the amount of insurance to be carried on all buildings and on the contents thereof as provided herein, shall be fixed by the Sinking Fund Commission after consultation with the officers, officials or trustees having such buildings in their care and custody: Provided, that the amount of insurance to be carried shall in no event exceed the actual value of the property to be insured after reasonable deduction for depreciation.

Sec. 15. That in the event of loss or damage by fire or lightning the amount of such loss or damage to be paid by the Sinking Fund Commission shall be determined by three appraisers, one to be named by the Sinking Fund Commission, one by the officer, official or trustees having the damaged or destroyed building in charge, and the two so appointed shall select a third. These appraisers shall file their written report with the Sinking Fund Commission, and a duplicate copy with the insured. The cost of the appraisal shall be borne, one-half by the Sinking Fund Commission and one-half by the insured: Provided, That the amount paid by the Sinking Fund Commission, as fixed by the appraisers, shall, in the event the building so damaged or destroyed is a county building or a public school building, be paid over to the County Treasurer of the county in which the building is located, to be by said County Treasurer paid out as required by law, upon the proper warrant or order of the proper official or trustee, for the repair, restoration, or rebuilding of the property damaged or destroyed; and in the event the property so damaged or destroyed is State property, then the amount shall be paid over to the officer, official or officials having the property in their care and custody, to be expended by them for the repair, restoration, or rebuilding of the property damaged or destroyed.

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Sec. 17. All Acts and parts of Acts inconsistent with the provisions of this Act are hereby repealed.

Sec. 18. This Act shall take effect immediately upon its approval by the Governor.

Approved March 25th, 1918.

Amending Act approved March 6th, 1919.

6. State of Wisconsin

INSURANCE DEPARTMENT

Chapter 210

State Insurance

210.01 Powers annulled. No officer or agent of this state, and no person or persons having charge of any public buildings or property of the state, shall pay out any public moneys or funds on account of any insurance against loss by fire or tornado, or shall in any manner contract for or incur any indebtedness against the state on account of any such insurance upon any of the public buildings, furniture, fixtures or property of any kind whatever belonging to the state except in the manner hereinafter provided.

Note. State has insurable interest in office equipment furnished to income tax assessors by counties and such property may be insured in state insurance fund. 19 Atty. Gen. 249.

State property may be insured against theft; but such insurance may not be combined with fire or tornado insurance. 19 Atty. Gen. 284.

210.02 State insurance fund. Upon July first, annually, the commissioner of insurance of the state shall provide for the insurance by the state of all state property subject to destruction by fire for an amount equal to ninety per cent of the cash value of such property, except that the state capitol building shall not be insured for more than five hundred thousand dollars and the state historical library building for not more than two hundred thousand dollars, in the following manner: First, he shall determine the insurable value of each item of property and shall fix the rate of insurance which in his opinion is the average rate charged by responsible fire and tornado insurance companies doing business in this state and issuing insurance policies upon property of similar kind and exposed to risk of fire or tornado in like manner. He shall then ascertain the amount of insurance in force upon all state property and provide for such additional insurance as is necessary to cover said ninety per cent of the full value of the property in the following manner: He shall certify to the state treasurer the amount of insurance upon such property to be carried by the state and order the state treasurer to credit to an

account which shall be kept by the treasurer and known as the "State Insurance Fund" an amount equal to sixty per cent of the premium as fixed by the commissioner of insurance, and the amount so credited by the state treasurer to the "state insurance fund" shall be debited by the state treasurer to that account which shall be kept upon his books with the proper officer, agent or board of trustees or regents which may have such public buildings and property in its charge, and the amount so debited by the state treasurer to said officer, agent or board shall be deducted by him from any funds which may be in his hands, or which may thereafter come into his hands and payable to said officer, agent or board of trustees or regents for the care and maintenance of such public buildings or property. The commissioner of insurance may with the approval of the governor purchase such reinsurance as may in the opinion of said commissioner be necessary to properly distribute the risk; provided no such reinsurance shall be effected when the net risk carried by the state insurance fund shall not equal or exceed one hundred thousand dollars nor where the rate for assuming a proportional amount of the risk shall exceed that received by the state insurance fund. The commissioner of insurance shall collect such reinsurance upon any loss and pay the same into the state insurance fund.

210.03 Loss; commissioner to adjust; transfer of funds. (1) (a) In case any buildings or property of the state shall be damaged by fire or tornado, the commissioner of insurance shall within thirty days ascertain and fix the amount of such damage and forthwith file with the state treasurer and the secretary of state a statement of the same.

(b) If in case of any loss or damage by fire or tornado of any buildings or property owned by any county, city, village, town, or school district or library board, insured in the state insurance fund, there shall arise any difference of opinion between the local authorities and the commissioner of insurance as to the amount of the loss or damage incurred, such loss or damage, upon the demand of the local authorities, shall be determined by appraisal, the local authorities and the commissioner of insurance each selecting a competent and disinterested appraiser. The appraisers shall first select a competent and disinterested umpire; and if they do not agree upon such umpire within fifteen days, then such umpire shall be selected by a judge of a court of record in this state. The appraisers shall then appraise the loss and damage stating separately sound value and loss or damage to each item; and failing to agree, shall submit their differences only, to the

umpire. An award in writing, so itemized, of any two when filed with the commissioner of insurance shall determine the amount of sound value and loss or damage. Each appraiser shall be paid by the party selecting him and other expenses of appraisal and umpire shall be paid by the parties equally.

(2) When the amount of loss has been fixed and determined by the commissioner of insurance and certified to the secretary of state, the secretary of state shall issue a warrant in the amount fixed by the insurance commissioner as a transfer of the amount fixed as damages from the "state insurance fund" and credited to the proper fund of the officer, board of control, board of trustees, or other agents in whose control said buildings or property belongs, to be used by said officer, board, or agent for the rebuilding or restoring of the property damaged and to be disbursed by the state treasurer in such manner as other state funds for the use of said officer, board, or agent are paid out, and if at the time of any such award of loss or damage by the commissioner of insurance, there shall not be in the "state insurance fund" an amount equal to such award, the secretary of state shall, notwithstanding this fact, draw his warrant payable from the general fund, and the state treasurer shall promptly pay such warrant out of any moneys in his hands in the manner above provided, and the commissioner shall thereafter from time to time order such reimbursement of the general fund from the "state insurance fund" as he shall deem proper, on which order the secretary of state shall issue his warrant for such transfer.

210.04 State insurance fund. (1) No county or village board or common council, and no officer or agent of any county, city or village having charge of any public buildings or property of any county, city or village, and no city council, village, town or school district or library board having charge of any public building or property of a school district located within any incorporated city or village, shall contract for or pay out any money or funds for insurance, against fire or any other risk upon property, on and after a vote of such board or council to insure under this section, except as may be certified by the commissioner of insurance to be necessary.

(2) After such decision by such board or council, the clerk thereof shall report to the commissioner of insurance each policy of insurance which shall then be in force upon any property of any kind belonging to the county, city or village or to the school district, whether under the control of such board or council or any other board, officer or agent, stating the property covered by such policy, the date of the issue and the expiration thereof, the amount and

rate of insurance and premium thereon.

(3) After such decision by such board or council, the insurance on all property of any such county, city, town, village or school district shall be provided for, and adjustment of losses made by the commissioner of insurance, in the manner provided by sections 210.02 and 210.03 for the insurance of property of the state, except that the premium shall be certified by the commissioner to the clerk of the town, village, city, county or school district. Upon receipt of such certification of premium due, the amount of the premium so certified shall on or before sixty days from the date of such certification be paid into the state treasury for the benefit of the "state insurance fund," in default of which the same shall become a special charge against such town, village, city or county or school district, and be included in the next apportionment or certification of state taxes and charged and certified shall on or before sixty days from the date of such certification be paid into the per annum from the date such premiums were certified by the commissioner. If any board or council shall so order, the amount of insurance upon the whole or any part of the property under its control shall be fixed at such per centum or sum less than the ninety per centum specified in section 210.02 as may be fixed by such board or council. Any such board or council may pay premiums in advance for five years by filing notice with the commissioner of insurance of its intention so to do, and paying four times the annual premium at the time the first annual premium becomes payable.

(4) Provided, that policies in force on said date of the passage of a resolution to insure in the "state insurance fund," shall remain in force until terminated, as provided in such policies; and that said clerk shall give notice to the commissioner of each such termination, and the state insurance hereby provided for shall take effect from such termination.

(5) The amount paid on account of any loss shall be disbursed by the county, city or village treasurer or treasurer having charge of the funds of the school district in such manner as other funds for the rebuilding or replacing of any building or other property, on account of which such loss has been incurred, subject to the direction of the board, officer or agent having charge of such building or other property.

(6) For carrying out the provisions of sections 210.03, and this section, the commissioner, with the approval of the governor, may employ such assistants as necessary, and

fix their compensation, which compensation, together with the expenses of such assistants and of the commissioner and his employes and the expenses of conducting the "state insurance fund", shall be paid out of the state insurance fund on the certificate of the commissioner, audited by the secretary of state. The commissioner of insurance shall make such inspection and report upon all property insured as may be required.

(7) Beginning January first, 1918, and annually thereafter, the state treasurer shall credit the state insurance fund with interest on the average amount in such fund for the preceding twelve months at the average rate of interest earned by the state upon its bank deposits during that period. If said fund shall at any time subsequent to January first, 1918, be indebted to the general fund of the state such fund shall be charged, at the end of each calendar year, with interest on such indebtedness at the average rate earned by the state upon its bank deposits during the period of such indebtedness and such sum shall be credited to the general fund, provided that the state annuity and investment board may cause such funds to be invested in the securities authorized in section 206.34.