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A SURVEY OF THE INSURANCE PRACTICES OF A
SELECTED GROUP OF SMALL BUSINESS
FIRMS OF PITTSBURG, KANSAS

A Problem Submitted to the Graduate Division in Partial
Fulfillment of the Requirements for the Degree
of Master of Science

By
August Rua

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KANSAS STATE TEACHERS COLLEGE
Pittsburg, Kansas
August, 1955

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CHAPTER I

INTRODUCTION

Statement of the Problem

The study seeks to determine the habits, cost, and type of insurance carried by various business firms in Pittsburg; their recommendations to the industry and to individuals who may enter or teach the subject of insurance.

Need for the Study

The purpose of this study is to gather information which should be of value to individuals seeking to open a small business firm in the Pittsburg area relative to the insurance they should carry and its cost. It should be of value to high schools and colleges of the Pittsburg area in determining what changes, or additions, if any, should be made in the business curriculum to prepare the graduates to enter the insurance field or teach subjects relative to the business of insurance. It should also be of value to insurance companies, in reviewing their methods and techniques of better serving the general public.

Limitation of the Study

The business firms included in this study were limited only to locally owned small business firms, excluding chain or large service organizations. Fifty business firms have

been selected as a sufficient number to supply the information forming the basis for the study.

An attempt was made to include in the survey, firms from as many types of small business places as possible, and at the same time secure at least a majority of the firms in each type of business surveyed. Fourteen different types of business firms are included in this survey as follows:

Appliance Stores	Drive-in Restaurants
Automobile Dealers	Food Distributors
Automobile Glass Shops	Grocery Stores
Automobile Repair Shops	Jewelry Stores
Automobile Service Stations	Moving and Transfer Companies
Beer Distributors	Undertakers
Building Contractors	Welding Shops

Definition of Terms Pertaining to this Study

Bodily Injury Liability. The liability imposed by law on one person for negligently injuring or killing another.¹

Casualty Insurance. This is a broad term which includes nearly every form of insurance except, fire and its allied lines, and marine.²

Co-insurance Clause. A clause which requires the policyholder to maintain at all times a certain percentage of insurance to the actual value of the property insured. If he fails to maintain the required percentage, he has to pay part of every loss himself.³

¹Farmers Insurance Group (Los Angeles: The Farmers Underwriters Assn., 1954), Vol. I, p. 18.

²Ibid., p. 18.

³Ibid., Vol. II, p. 16.

Coverage. The specific protection provided by the policy against the results of the hazards insured against.⁴

Financial Responsibility Law. A law requiring motorists to furnish proof of their ability to pay damages up to a stipulated amount.⁵

Insurance. A contract whereby one undertakes to indemnify another against loss, damage, or liability arising from a contingent or unknown event.⁶

Insurance Policy. The basic contract, as distinguished from the forms and endorsements which may be added to it.⁷

Insured. The person to be indemnified in case of loss or liability.⁸

Property Damage Liability. The liability imposed by law on one person for negligently damaging or destroying the property of another.⁹

Public Liability. See Bodily Injury and Property Damage Liability.

Limits of Liability. The maximum sums of money which an insurance company agrees to pay in the event of a loss covered by the policy.¹⁰

⁴Ibid., p. 17.

⁵Ibid., p. 23.

⁶Ibid., p. 25.

⁷Ibid.

⁸Ibid.

⁹Ibid., Vol. I, p. 32.

¹⁰Ibid., Vol. III, p. 27.

Material Damage Insurance. Insurance which is afforded with respect to losses to property of the insured, as distinguished from insurance afforded against liability losses.¹¹

Workmen's Compensation. The benefits (weekly payments, medical, hospital bills, etc.) which an employer is bound by law to provide for his employees who are injured while on the job, regardless of whose fault the accident was.¹²

Contents. That which is in a building and which can be insured separately from the building.¹³

Extended Coverage. An endorsement added to the standard fire policy giving protection against a number of hazards other than fire such as windstorm, hail, explosion, and falling aircraft.¹⁴

5-10-5 Liability. Liability protection of \$5000.00 coverage for each person insured; \$10,000.00 coverage for injuries arising from each accident; and \$5,000.00 coverage for property damage to others arising from each accident. 10-20-5 liability has the same meaning as 5-10-5 except that the amount of protection is increased as indicated.

Status of Company. Reference to size, amount of surplus, and rating of the company.

¹¹Ibid., p. 34.

¹²Ibid., p. 39.

¹³Ibid., Vol. II, p. 16.

¹⁴Ibid., p. 19.

Method of Procedure

Under the normative-survey method of research the personal interview technique, supplemented by a check-list questionnaire was used. The information was gathered by means of a personal interview with the owner of the business. In order to guide the interviewer, a simple answer questionnaire was used, a copy of which is included in the appendix (see page 49). The survey was conducted during the months of June and July, 1955.

A list of the business firms to be visited was compiled from the classified section of the Pittsburg Telephone Directory. The interviewer, who has been actively engaged in selling and operating an insurance agency in Pittsburg for the past eight years, strived to contact firm owners with whom he has at least a casual acquaintance, thereby hoping to secure more reliable and accurate information. The interviewer found this acquaintance to be of value as some of the questions asked were of a personal nature.

The interviewer, with the help of the questionnaire, sought to secure the following items of information concerning the insurance habits of small business firms in Pittsburg, Kansas: (1) Limits of liability insurance carried on automobiles and trucks; (2) Material damage insurance on automobiles or trucks; (3) Limits of liability on insurance covering premises and/or operations; (4) Workmen's Compensation insurance coverage; (5) Extent of fire and extended coverage on building and contents; (6) Hospitalization insurance on

employees; (7) The degree that policyholders read their policies; (8) Factors considered when purchasing insurance; (9) Total cost of all casualty insurance during 1954 for the particular type of business; (10) Method by which insurance premiums are charged off as an expense; (11) Policyholders' suggestions relative to what insurance companies could do to better their services; (12) Other factors considered were whether Workmen's Compensation or Co-insurance was carried.

A total of fifty small business firms were interviewed in Pittsburg, Kansas, during June and July, 1955, as included in this study. Fourteen different classes of business firms were interviewed. Fifty percent or more of the firms of each class located in the city were included in the study.

The business firms interviewed were firms having from one to nineteen employees with the average number of employees being approximately three for each firm.

CHAPTER II

INTERPRETATION OF DATA

Automobile Liability Insurance

Table I shows the number of firms which carried automobile liability insurance. The table shows that all firms interviewed except one automobile repair shop carried liability insurance on their cars. This was 49, or 98 per cent, of all firms interviewed which carried liability insurance on their automobiles.

Truck Liability Insurance

The data of Table II shows that all firms except one automobile repair shop, two automobile service stations, and one drive-in restaurant carried truck liability insurance. There were six automobile repair shops contacted and five carried liability insurance on their trucks, whereas one did not. Of the seven service stations interviewed, five carried liability insurance on their trucks, and two did not. There was a large number of firms which did not carry truck liability insurance as compared to automobile liability insurance. The survey showed that of the forty firms contacted which used trucks, only four did not carry truck liability insurance, and of these four, two were automobile service stations. One of the reasons given as to why more automobile service stations did not carry truck liability insurance was that there is a larger turnover of the automobile service

TABLE I

FIRMS CLASSIFIED ACCORDING TO WHETHER THEY
CARRY AUTOMOBILE LIABILITY INSURANCE

Types of Business	Automobile Liability Insurance	No Auto- mobile Liability Insurance	Total Firms
Appliance Stores	3	0	3
Automobile Dealers	5	0	5
Automobile Glass Shops	2	0	2
Automobile Repair Shops	5	1	6
Automobile Service Stations	9	0	9
Beer Distributors	2	0	2
Building Contractors	3	0	3
Drive-in Restaurants	3	0	3
Food Distributors	2	0	2
Grocery Stores	6	0	6
Jewelry Stores	2	0	2
Moving and Transfer Companies	3	0	3
Undertakers	2	0	2
Welding Shops	2	0	2
Totals	49	1	50
Percentages	98	2	100

TABLE II

FIRMS CLASSIFIED ACCORDING TO WHETHER THEY
CARRY TRUCK LIABILITY INSURANCE

Types of Business	Truck Liability Insurance	No Truck Liability Insurance	Total Firms
Appliance Stores	2	0	2
Automobile Dealers	5	0	5
Automobile Glass Shops	2	0	2
Automobile Repair Shops	5	1	6
Automobile Service Stations	5	2	7
Beer Distributors	2	0	2
Building Contractors	3	0	3
Drive-in Restaurants	1	1	2
Food Distributors	2	0	2
Grocery Stores	2	0	2
Jewelry Stores	0	0	0
Moving and Transfer Companies	3	0	3
Undertakers	2	0	2
Welding Shops	2	0	2
Totals	36	4	40
Percentages	90	10	100

station owners. Another reason given was that many of these small business owners have been in business only a short time and they felt they could not financially carry this insurance protection.

It may be noted that the state of Kansas has a very weak Financial Responsibility Law as it does not require motorists to furnish proof of their ability to pay damages in case of an accident. Therefore, liability insurance in Kansas is purchased mostly for the protection of the individual himself, while in many other states the Financial Responsibility Law requires all motorists to furnish proof of their ability to pay.

Limits of Liability

Table III classifies the various firms as to the limits of liability protection carried on their automobile and truck liability insurance policies. Three appliance stores were interviewed in which one carried limits of 10-20-5 liability, another, 15-30-5, and the third carried 25-50-5. Automobile glass shops were in about the same range as appliance stores, both having 15-30-5 liability limits. However, automobile dealers carried much higher limits of liability, as one firm had 15-30-5, another had 25-50-5 and the other three had 100-300-5. The two beer distributor firms interviewed carried 25-50-5 liability limits. Of the six automobile repair shops, one had no liability insurance, two carried 5-10-5, one 10-20-5, one 15-30-5 and one carried 25-50-5 liability limits.

TABLE III

FIRMS CLASSIFIED ACCORDING TO LIMITS OF LIABILITY CARRIED
ON THEIR AUTOMOBILE AND TRUCK INSURANCE POLICIES

Type of Business	No Liability Insurance	5-10-5	10-20-5	15-30-5	25-50-5	50-100-5	100-300-5	Total Firms
Appliance Stores	0	0	1	1	1	0	0	3
Automobile Dealers	0	0	0	1	1	0	3	5
Automobile Glass Shops	0	0	0	2	0	0	0	2
Automobile Repair Shops	1	2	1	1	1	0	0	6
Automobile Service Stations	0	1	4	4	0	0	0	9
Beer Distributors	0	0	0	0	2	0	0	2
Building Contractors	0	1	0	0	1	1	0	3
Drive-in Restaurants	0	0	0	1	2	0	0	3
Food Distributors	0	0	1	1	0	0	0	2
Grocery Stores	0	2	1	2	1	0	0	6
Jewelry Stores	0	0	1	0	0	1	0	2
Moving and Transfer Companies	0	0	0	0	1	2	0	3
Undertakers	0	0	1	0	0	1	0	2
Welding Shops	0	0	0	1	1	0	0	2
Totals	1	6	10	14	11	5	3	50
Percentages	2	12	20	28	22	10	6	100

The nine automobile service stations were in approximately the same range as automobile repair shops, as one carried 5-10-5, four carried 10-20-5 and four others carried protection to the extent of 15-30-5.

The results of the interviews show that the larger the firm and the more capital invested in the firm, the higher the liability limits carried, as noted in comparing the limits of automobile dealers and automobile service stations.

The survey shows that the lower liability limits were purchased by small automobile repair shops, automobile service stations and grocery stores. These owners stated that they did not have much invested in their business, their net worth was fairly low, and their margin of profit was small so they were therefore keeping their expenses as low as possible. They further felt they did not need the higher limits of liability.

Table III also shows that of the three moving and transfer companies, which usually require a fairly large investment of capital, two carried 50-100-5 liability limits and the other carried 25-50-5.

The totals from Table III show that 15-30-5 limits were the most popular as 28 per cent of the 50 firms had these limits, 22 per cent had 25-50-5, 20 per cent had 10-20-5, 12 per cent carried 5-10-5, 10 per cent carried 50-100-5 and the balance, or 8 per cent, carried other liability limits.

The reasons given concerning the amount of liability limits carried on automobiles and trucks varied from no

particular reason to a fear that a serious accident would result in a large judgment against the firms. Other owners stated that the limits they carry are just what the insurance agent sold them and others stated they carry the higher limits for ample protection.

Fire and Theft Insurance on Automobiles and Trucks

Table IV shows that forty-six out of fifty, or 92 per cent, of the firms interviewed carried fire and theft insurance on their cars and trucks. All firms except one appliance store, two automobile service stations, and one moving and transfer company carried fire and theft insurance on their automobiles and trucks.

Collision Insurance on Automobiles and Trucks

Of the fifty business firms surveyed as shown in Table V, only thirty-one or 62 per cent carried collision insurance on their automobiles and trucks. All of the automobile repair shops, beer distributors, food distributors, jewelry stores, and undertakers carried collision insurance. However of the nine automobile service stations contacted, only two carried collision insurance, or 22 per cent, while 62 per cent of all the firms carried collision insurance.

The reason given by the automobile service station owners as to why they did not carry collision insurance was that they felt the premium was too high as compared to the possible total loss which they could sustain. Therefore, as they could

TABLE IV

FIRMS CLASSIFIED ACCORDING TO WHETHER THEY CARRY
FIRE AND THEFT INSURANCE ON THEIR
AUTOMOBILE AND TRUCK

Types of Business	Fire and Theft Insurance	No Fire and Theft Insurance	Total Firms
Appliance Stores	2	1	3
Automobile Dealers	5	0	5
Automobile Glass Shops	2	0	2
Automobile Repair Shops	6	0	6
Automobile Service Stations	7	2	9
Beer Distributors	2	0	2
Building Contractors	3	0	3
Drive-in Restaurants	3	0	3
Food Distributors	2	0	2
Grocery Stores	6	0	6
Jewelry Stores	2	0	2
Moving and Transfer Companies	2	1	3
Undertakers	2	0	2
Welding Shops	2	0	2
Totals	46	4	50
Percentages	92	8	100

TABLE V

FIRMS CLASSIFIED ACCORDING TO WHETHER THEY CARRY
COLLISION INSURANCE ON THEIR
AUTOMOBILE AND TRUCK

Type of Business	Collision Insurance	No Collision Insurance	Total Firms
Appliance Stores	2	1	3
Automobile Dealers	3	2	5
Automobile Glass Shops	1	1	2
Automobile Repair Shops	6	0	6
Automobile Service Stations	2	7	9
Beer Distributors	2	0	2
Building Contractors	2	1	3
Drive-in Restaurants	2	1	3
Food Distributors	2	0	2
Grocery Stores	4	2	6
Jewelry Stores	2	0	2
Moving and Transfer Companies	1	2	3
Undertakers	2	0	2
Welding Shops	0	2	2
Totals	31	19	50
Percentages	62	38	100

not afford all the insurance they would like to carry, collision insurance was the least important. It was also noted that the newer the car or truck, the more likely it was that the owner would carry collision insurance. The other firms that did not carry collision insurance on their vehicles were firms that owned a large number of vehicles, such as automobile dealers and moving and transfer companies. These owners stated that because of the large number of vehicles they owned, they could carry their own collision insurance by setting aside a reserve fund to take care of losses instead of paying an insurance company to do so.

Public Liability Insurance

Table VI shows that only 78 per cent of the business firms carried public liability insurance on their business operations and premises. This percentage is much lower than the 98 per cent of these same firms which carried liability insurance on their automobiles.

Automobile repair shops and grocery stores were the largest groups which did not carry liability insurance on their premises and operations, as only two out of the four firms in these two groups carried public liability insurance. Therefore, only 66.6 per cent of the automobile repair shops and grocery stores carried public liability when compared to the over-all total of 78 per cent.

This was somewhat surprising, as one would assume that an automobile repair shop and a grocery store with their large

TABLE VI

FIRMS CLASSIFIED ACCORDING TO WHETHER THEY CARRY
PUBLIC LIABILITY INSURANCE ON THEIR
BUSINESS OPERATIONS AND PREMISES

Type of Business	Public Liability Insurance	No Public Liability Insurance	Total Firms
Appliance Stores	2	1	3
Automobile Dealers	5	0	5
Automobile Glass Shops	1	1	2
Automobile Repair Shops	4	2	6
Automobile Service Stations	7	2	9
Beer Distributors	2	0	2
Building Contractors	2	1	3
Drive-in Restaurants	3	0	3
Food Distributors	1	1	2
Grocery Stores	4	2	6
Jewelry Stores	2	0	2
Moving and Transfer Companies	3	0	3
Undertakers	2	0	2
Welding Shops	1	1	2
Totals	39	11	50
Percentages	78	22	100

traffic, would have a greater hazard than low-traffic business firms as undertakers and moving and transfer companies. Yet, the two latter types of firms carried public liability to the extent of 100 per cent, as compared to grocery stores and auto repair shops.

Other firms which carried public liability to the extent of 100 per cent, were automobile dealers, beer distributors, drive-in restaurants, and jewelry stores. The study shows there was one appliance store, one automobile glass dealer, two automobile service stations, one building contractor, one food distributor and one welding shop that did not carry public liability insurance.

Some of the voluntary answers made by the business owners as to the reason they did not carry public liability insurance on their operations and premises were, that they just kept putting it off, but someday they intended to buy it. Others replied they felt the premiums were too high or they felt they did not need this insurance protection.

Limits of Public Liability

As shown in Table VII, the most used limits against public liability were 5-10-5; this limit was used by 28 per cent of the firms insured. Of the nine automobile service stations interviewed, four carried 5-10-5 limits, while one carried 10-20-5, two carried 15-30-5, and two were not insured against this liability. As in the limits of automobile liability insurance, the automobile dealers carried the highest,

as three dealers carried 100-300-5, while one carried 25-50-5 and the other 15-30-5 liability limits.

The table also shows that automobile service stations, automobile repair shops, and grocery stores either carried the lower limits of liability or no public liability insurance at all.

Next to 5-10-5 limits the next most popular limits were 15-30-5 which had 16 per cent of the total, then came 10-20-5 and 25-50-5 each of which comprised 12 per cent of the total firms.

The owners of the firms gave these principal reasons for their choice of limits carried:

- (1) It just happened to be what the agent sold me.
- (2) They carried enough protection for a very serious accident which might occur.
- (3) They carried just enough coverage to get by, or the smallest limits they could buy.

Moving and transfer companies carried liability limits as follows: two carried 10-20-5 while one carried 15-30-5. Welding shops register one firm in the 15-30-5 column and one firm did not carry public liability at all. Of the three appliance stores surveyed one carried 10-20-5 limits, another 25-50-5, while the third did not carry any liability insurance on their premises and operations. Undertakers registered one firm in the 5-10-5 column and the other carried 15-30-5.

TABLE VII

FIRMS CLASSIFIED ACCORDING TO LIMITS OF LIABILITY CARRIED
ON THEIR PUBLIC LIABILITY INSURANCE POLICIES

Type of Business	No Public Liability Insurance	5-10-5	10-20-5	15-30-5	25-50-5	50-100-5	100-300-5	Total Firms
Appliance Stores	1	0	1	0	1	0	0	3
Automobile Dealers	0	0	0	1	1	0	3	5
Automobile Glass Shops	1	0	0	1	0	0	0	2
Automobile Repair Shops	2	1	1	1	1	0	0	6
Automobile Service Stations	2	4	1	2	0	0	0	9
Beer Distributors	0	2	0	0	0	0	0	2
Building Contractors	1	0	0	0	1	1	0	3
Drive-in Restaurants	0	2	0	1	0	0	0	3
Food Distributors	1	1	0	0	0	0	0	2
Grocery Stores	2	3	0	0	1	0	0	6
Jewelry Stores	0	0	1	0	0	1	0	2
Moving and Transfer Companies	0	0	2	1	0	0	0	3
Undertakers	0	1	0	1	0	0	0	2
Welding Shops	1	0	0	0	1	0	0	2
Total	11	14	6	8	6	2	3	50
Percentages	22	28	12	16	12	4	6	100

Table VII shows that 78 per cent of the firms carried public liability insurance, while 98 per cent of the same firms carried automobile and truck liability insurance.

Workmen's Compensation Insurance

Table VIII shows that twenty-six, or 52 per cent, of the fifty firms carried Workmen's Compensation Insurance. Beer distributors, drive-in restaurants, moving and transfer companies, and welding shops, all carried Workmen's Compensation Insurance. Of the three appliance stores, one carried Workmen's Compensation, while the other two did not. Of the automobile dealers listed, four carried compensation insurance and one carried no insurance, whereas, of the automobile repair shops only one firm out of six carried Workmen's Compensation Insurance. Nine automobile service stations were contacted and five carried compensation insurance and four did not. Grocery stores were in the same class as automobile repair shops with only one firm out of five carrying Workmen's Compensation. There were two automobile glass shops, and two undertakers interviewed and none of these four firms carried the compensation insurance. Of the two food distributors and jewelry stores contacted, one of each class carried compensation insurance.

Workmen's Compensation Law

The Kansas Workmen's Compensation Law, section 44-507 provides that the Act shall apply only to employers by whom

TABLE VIII

FIRMS CLASSIFIED ACCORDING TO WHETHER THEY
CARRY WORKMEN'S COMPENSATION INSURANCE

Type of Business	Workmen's Compensation	No Workmen's Compensation	Total Firms
Appliance Stores	1	2	3
Automobile Dealers	4	1	5
Automobile Glass Shops	0	2	2
Automobile Repair Shops	1	5	6
Automobile Service Stations	5	4	9
Beer Distributors	2	0	2
Building Contractors	2	1	3
Drive-in Restaurants	3	0	3
Food Distributors	1	1	2
Grocery Stores	1	5	6
Jewelry Stores	1	1	2
Moving and Transfer Companies	3	0	3
Undertakers	0	2	2
Welding Shops	2	0	2
Totals	26	24	50
Percentages	52	48	100

five (5) or more workmen have been employed within the state of Kansas continuously for more than one month at the time of the accident. That the Act shall apply to mines and building work without regard to the number of workmen employed or the period of time employed.¹

Table IX shows that of the twenty-six firms which carried Workmen's Compensation Insurance, only eight firms had five or more employees which required them to carry Workmen's Compensation Insurance. There were, however, eighteen firms which carried Workmen's Compensation Insurance although they were not required by law to do so. These business owners stated they purchased Workmen's Compensation Insurance for their own protection in case an accident did occur.

Fire and Extended Insurance on Buildings

Table X shows that twenty-six of the fifty firms owned their own buildings, and of the twenty-six firms, all but one carried fire and extended insurance on their buildings. The firm which did not carry insurance was an automobile dealer.

Fire and Extended Insurance on Contents

Table XI shows that forty-four, or 88 per cent, of the fifty firms carried fire and extended insurance on the contents

¹Workmen's Compensation Law, State Statutes of Kansas
(Topeka: State Printer, 1950), p. 115.

TABLE IX

FIRMS CLASSIFIED ACCORDING TO WHETHER THEY
CARRY WORKMEN'S COMPENSATION AS
REQUIRED BY LAW

Type of Business	Workmen's Compensation Insurance Required By Law	Workmen's Compensation Insurance Not Required By Law	No Workmen's Compensation Insurance	Total Firms
Appliance Stores	0	1	2	3
Automobile Dealers	3	1	1	5
Automobile Glass Shops	0	0	2	2
Automobile Repair Shops	0	1	5	6
Automobile Service Stations	0	5	4	9
Beer Distributors	0	2	0	2
Building Contractors	2	0	1	3
Drive-in Restaurants	0	3	0	3
Food Distributors	0	1	1	2
Grocery Stores	0	1	5	6
Jewelry Stores	0	1	1	2
Moving and Transfer Companies	3	0	0	3
Undertakers	0	0	2	2
Welding Shops	0	2	0	2
Total	8	18	24	50
Percentages	16	36	48	100

TABLE X

FIRMS CLASSIFIED ACCORDING TO WHETHER THEY CARRY FIRE
AND EXTENDED COVERAGE INSURANCE ON BUILDINGS

Type of Business	Fire and Extended Insurance on Buildings	No Fire and Extended Insurance on Buildings	Property Rented	Total Firms
Appliance Stores	1	0	2	3
Automobile Dealers	2	1	2	5
Automobile Glass Shops	1	0	1	2
Automobile Repair Shops	1	0	5	6
Automobile Service Stations	1	0	8	9
Beer Distributors	2	0	0	2
Building Contractors	1	0	2	3
Drive-in Restaurants	2	0	1	3
Food Distributors	2	0	0	2
Grocery Stores	5	0	1	6
Jewelry Stores	1	0	1	2
Moving and Transfer Companies	2	0	1	3
Undertakers	2	0	0	2
Welding Shops	2	0	0	2
Total	25	1	24	50
Percentages	50	2	48	100

of their business. Of the five automobile dealers surveyed, three carried insurance on their contents and two did not.

There were nine automobile service stations contacted of which three did not carry insurance, whereas six did carry fire and extended insurance coverage on their contents. Two welding shops were interviewed and one carried the insurance and one did not.

With the exception of the two automobile dealers, three automobile service stations, and one welding shop, all firms carried insurance on the contents of their business.

Coinsurance

As shown by Table XII, twenty firms had the coinsurance clause in their policies, whereas twenty-four firms did not. All the appliance stores, two food distributors, three moving and transfer companies, and one welding shop carried coinsurance. However, of the six automobile repair shops, two automobile glass shops, and two undertakers, none had provided for coinsurance.

There were nine automobile service stations interviewed and three of these carried coinsurance while three did not and three were not insured. Two beer distributors, and two jewelry stores were contacted, of which one of each carried coinsurance; the others did not.

Of the six grocery stores included in the study, only one carried coinsurance. Of the two undertakers contacted, neither

TABLE XI

FIRMS CLASSIFIED ACCORDING TO WHETHER THEY CARRY FIRE AND
EXTENDED COVERAGE INSURANCE ON THEIR CONTENTS

Type of Business	Fire and Extended Insurance on Contents	No Fire and Extended Insurance on Contents	Total Firms
Appliance Stores	3	0	3
Automobile Dealers	3	2	5
Automobile Glass Shops	2	0	2
Automobile Repair Shops	6	0	6
Automobile Service Stations	6	3	9
Beer Distributors	2	0	2
Building Contractors	3	0	3
Drive-in Restaurants	3	0	3
Food Distributors	2	0	2
Grocery Stores	6	0	6
Jewelry Stores	2	0	2
Moving and Transfer Companies	2	0	3
Undertakers	2	0	2
Welding Shops	1	1	2
Totals	44	6	50
Percentages	88	12	100

TABLE XII

FIRMS CLASSIFIED ACCORDING TO WHETHER THEY CARRY
COINSURANCE ON THEIR FIRE AND EXTENDED INSURANCE

Type of Business	Coin- surance	No Coin- surance	No Insur- ance	Total Firms
Appliance Stores	3	0	0	3
Automobile Dealers	2	1	2	5
Automobile Glass Shops	0	2	0	2
Automobile Repair Shops	0	6	0	6
Automobile Service Stations	3	3	3	9
Beer Distributors	1	1	0	2
Building Contractors	1	2	0	3
Drive-in Restaurants	2	1	0	3
Food Distributors	2	0	0	2
Grocery Stores	1	5	0	6
Jewelry Stores	1	1	0	2
Moving and Transfer Companies	3	0	0	3
Undertakers	0	2	0	2
Welding Shops	1	0	1	2
Totals	20	24	6	50
Percentages	40	48	12	100

carried coinsurance whereas the two food distributors both carried coinsurance.

The data of Table XII reveals that 40 per cent of the firms listed there carried the coinsurance clause in their policies, while the policies of 48 per cent did not. Twelve per cent were uninsured.

It should be noted that the firms which had the larger amount of investment in the business, the more likely it was that the firms carried coinsurance. For instance, all three appliance stores carried the coinsurance clause, whereas none of the six automobile repair shops carried this clause.

The reason given as to why they carried coinsurance was that the rates were lower, therefore giving them an opportunity to carry more insurance for a smaller premium.

Group Hospitalization Insurance Plan

Table XIII shows that only four out of fifty or 8 per cent of the firms carried a group hospitalization insurance plan for their employees. However, it should be noted here that many of these small firms did not have a large enough number of employees to qualify for a group hospitalization insurance plan.

Three of the automobile dealers had a group hospitalization plan whereas two did not. The other group hospitalization plan was carried by the moving and transfer company. The four firms that had a group hospitalization plan of insurance, all employed more than five persons.

TABLE XIII

FIRMS CLASSIFIED ACCORDING TO WHETHER THEY
CARRY A GROUP HOSPITALIZATION INSURANCE
PLAN FOR THEIR EMPLOYEES

Type of Business	Employees Hospitali- zation Insurance Plan	No Employees Hospitali- zation Insurance Plan	Total Firms
Appliance Stores	0	3	3
Automobile Dealers	0	2	5
Automobile Glass Shops	0	2	2
Automobile Repair Shops	0	6	6
Automobile Service Stations	0	9	9
Beer Distributors	0	2	2
Building Contractors	0	3	3
Drive-in Restaurants	0	3	3
Food Distributors	0	2	2
Grocery Stores	0	6	6
Jewelry Stores	0	2	2
Moving and Transfer Companies	1	2	3
Undertakers	0	2	2
Welding Shops	0	2	2
Totals	4	46	50
Percentages	8	92	100

Personal and Residence Liability Insurance

The data of Table XIV indicates that seventeen out of fifty firm owners, or 34 per cent, carried personal and residence liability insurance. Of the three appliance stores and the three drive-in restaurant owners who were interviewed, only one of each carried personal and residence liability insurance. None of the owners of automobile glass shops, beer distributors, food distributors, and grocery stores carried this type of liability insurance. Likewise, only one out of nine automobile service station owners carried personal and residence liability insurance.

It is noted that of the five automobile dealers interviewed, four carried personal and residence liability insurance while only one did not. Also, both undertakers who were interviewed carried this protection, and two of the three building contractors carried personal and residence liability insurance.

Thirty-four per cent of the firm owners interviewed carried personal and residence liability protection, whereas 66 per cent did not carry this coverage.

Liability Limits of Personal and Residence Policies

Table XV shows that of the seventeen firms which carried personal and residence liability, eleven of the policies written were for limits of 15-30-5 or less. The six kinds of firms and the number in each kind which carried limits in excess of 15-30-5 were as follows: Three automobile dealers,

TABLE XIV

FIRM OWNERS CLASSIFIED ACCORDING TO WHETHER
THEY CARRY PERSONAL AND RESIDENCE
LIABILITY INSURANCE

Type of Business	Personal and Residence	No Personal and Residence	Total Firms
Appliance Stores	1	2	3
Automobile Dealers	4	1	5
Automobile Glass Shops	0	2	2
Automobile Repair Shops	2	4	6
Automobile Service Stations	1	8	9
Beer Distributors	0	2	2
Building Contractors	2	1	3
Drive-in Restaurants	1	2	3
Food Distributors	0	2	2
Grocery Stores	0	6	6
Jewelry Stores	1	1	2
Moving and Transfer Companies	2	1	3
Undertakers	2	0	2
Welding Shops	1	1	2
Totals	17	33	50
Percentages	34	66	100

TABLE XV

FIRM OWNERS CLASSIFIED ACCORDING TO THE LIMITS
OF LIABILITY CARRIED ON THEIR PERSONAL
AND RESIDENCE LIABILITY POLICIES

Type of Business	No Insurance	5-10-5	10-20-5	15-30-5	25-50-5	50-100-5	100-300-5	Total Firms
Appliance Stores	2	1	0	0	0	0	0	3
Automobile Dealers	1	1	0	0	0	0	3	5
Automobile Glass Shops	2	0	0	0	0	0	0	2
Automobile Repair Shops	4	1	1	0	0	0	0	6
Automobile Service Stations	8	1	0	0	0	0	0	9
Beer Distributors	2	0	0	0	0	0	0	2
Building Contractors	1	0	0	0	1	1	0	3
Drive-in Restaurants	2	0	0	1	0	0	0	3
Food Distributors	2	0	0	0	0	0	0	2
Grocery Stores	6	0	0	0	0	0	0	6
Jewelry Stores	1	0	0	0	1	0	0	2
Moving and Transfer Companies	1	0	1	1	0	0	0	3
Undertakers	0	0	0	2	0	0	0	2
Welding Shops	1	0	0	1	0	0	0	2
Totals	33	4	2	5	2	1	3	50
Percentages	66	8	4	10	4	2	6	100

two building contractors, and one jewelry store. One moving and transfer company, one welding shop, one drive-in restaurant, and two undertaking firms carried limits of 15-30-5. Four automobile dealers carried personal and residence liability insurance of which three had limits of 100-300-5 and one had limits as low as 5-10-5. The lower limits shown were carried by the small firms.

The Degree that Insurance Policies are Read

It is revealed in Table XVI that only three, or 6 per cent, of the firm owners read their insurance policies, whereas the other forty-seven firm owners or 94 per cent rely on what their insurance agent tells them is in the policy. The three firm owners who stated they had read their insurance policies were as follows; one automobile glass shop owner, one automobile repair shop owner, and one welding firm owner.

Some of the firm owners stated they did not read their policy, but they did casually look over the policy to verify coverage they wanted.

Factors Considered When Purchasing Insurance

Table XVII shows that the agent was considered first by the majority of owners interviewed, when buying insurance as thirty-nine of the fifty firms gave the agent as the most important factor. The agent was second consideration only in ten cases and third in one.

TABLE XVI

FIRM OWNERS CLASSIFIED ACCORDING TO WHETHER THEY READ THEIR
INSURANCE POLICIES OR WHETHER THEY RELY ON WHAT
THEIR INSURANCE AGENT TELLS THEM

Types of Business	Read and Understand Policy	Rely on Agent	Totals
Appliance Stores	0	3	3
Automobile Dealers	0	5	5
Automobile Glass Shops	1	1	2
Automobile Repair Shops	1	5	6
Automobile Service Stations	0	9	9
Beer Distributors	0	2	2
Building Contractors	0	3	3
Drive-in Restaurants	0	3	3
Food Distributors	0	2	2
Grocery Stores	0	6	6
Jewelry Stores	0	2	2
Moving and Transfer Companies	0	3	3
Undertakers	0	2	2
Welding Shops	1	1	2
Totals	3	47	50
Percentages	6	94	100

TABLE XVII

FACTORS CONSIDERED BY BUSINESS FIRMS WHEN
PURCHASING INSURANCE

Factors	First Consideration	Second Consideration	Third Consideration	Fourth Consideration	Totals
Agent	39	10	1	0	50
Status of the Company	0	1	4	45	50
Price	2	15	29	4	50
Service	5	24	16	1	46
Business Connections	4	0	0	0	4
Totals	50	50	50	50	200

The next most important factor was service, as it registered five first considerations, twenty-four second considerations, sixteen third considerations and one fourth consideration.

The data of the table shows that price was the third factor considered by the fifty firm owners as it received two first places, fifteen second places and twenty-nine third places. Four firms selected price as fourth consideration.

Status of the company received the least consideration as it was not considered first by any firm. It registered only one second place, four third places, and forty-five times as the last or fourth consideration.

Business connection was given by four firms as their principal reason in selecting the one from whom they purchased their insurance.

Cost of Insurance

Table XVIII shows that 19 firms, or 38 per cent, of the firms interviewed paid less than \$300.00 a year for insurance, whereas five firms or 10 per cent paid over \$1000.00 for all their insurance business.

Automobile dealers spent more for insurance premiums than any of the other firms, as two of the five dealers contacted paid over \$1500.00 a year, one between \$1,001.00 and \$1500.00, another between \$601.00 and \$800.00, and still another between \$501.00 and \$600.00.

TABLE XVIII

FIRMS CLASSIFIED ACCORDING TO THE TOTAL COSTS
IN DOLLARS OF ALL THEIR BUSINESS INSURANCE

Type of Business	300 to 200	400 to 301	500 to 401	600 to 501	800 to 601	1000 to 801	1500 to 1001	Over 1501	Total Firms
Appliance Stores	0	1	2	0	0	0	0	0	3
Automobile Dealers	0	0	0	1	1	0	1	2	5
Automobile Glass Shops	2	0	0	0	0	0	0	0	2
Automobile Repair Shops	3	1	2	0	0	0	0	0	6
Automobile Service Stations	7	2	0	0	0	0	0	0	9
Beer Distributors	0	0	0	1	1	0	0	0	2
Building Contractors	0	1	0	0	0	2	0	0	3
Drive-in Restaurants	0	1	0	1	1	0	0	0	3
Food Distributors	1	1	0	0	0	0	0	0	2
Grocery Stores	5	0	0	1	0	0	0	0	6
Jewelry Stores	1	0	0	0	0	1	0	0	2
Moving and Transfer Companies	0	0	0	0	0	1	2	0	3
Undertakers	0	0	2	0	0	0	0	0	2
Welding Shops	0	1	0	0	0	1	0	0	2
Totals	19	8	6	4	3	5	3	2	50
Percentages	38	16	12	8	6	10	6	4	100

There were three moving and transfer companies interviewed, two of which paid between \$1001.00 and \$1500.00 per year each and the other paid between \$801.00 and \$1000.00 per year.

Nine automobile service stations were surveyed, seven spending less than \$300.00 per year while only two spend more between \$301.00 and \$400.00 per year for their business insurance. Grocery stores, of which there were five, paid less than \$300.00 per year each, with only one paying between \$501.00 and \$600.00 per year. Of the automobile repair shops surveyed, three paid less than \$300.00 per year, one between \$301.00 and \$400.00, while two paid between \$400.00 and \$500.00.

Methods by which Firms Recorded Insurance Expenses

The data of Table XIX shows that only ten firms of the fifty surveyed charged off their insurance premium expenses over a twelve-month period, whereas forty firms or 80 per cent charged the premium cost off on the month in which it was paid.

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Recommendations and Criticisms Made of Agents and Companies

Table XX shows the varied recommendations and criticisms by the fifty firms interviewed. The most repeated criticism was that firm owners felt insurance companies required them to keep too many records and to fill out too many forms and reports concerning the insurance premiums. Another criticism was that insurance policies were not written in a manner in which the average layman could understand it.

TABLE XIX

FIRMS CLASSIFIED ACCORDING TO WHETHER INSURANCE
EXPENSES ARE CHARGED OFF IN THE MONTH PAID
OR OVER A TWELVE-MONTH PERIOD

Type of Business	Charged off in month paid	Deferred over Twelve Months	Total Firms
Appliance Stores	3	0	3
Automobile Dealers	1	4	5
Automobile Glass Shops	2	0	2
Automobile Repair Shops	6	0	6
Automobile Service Stations	8	1	9
Beer Distributors	2	0	2
Building Contractors	1	2	3
Drive-in Restaurants	3	0	3
Food Distributors	2	0	2
Grocery Stores	6	0	6
Jewelry Stores	2	0	2
Moving and Transfer Companies	1	2	3
Undertakers	2	0	2
Welding Shops	1	1	2
Totals	40	10	50
Percentages	80	20	100

TABLE XX

CRITICISMS GIVEN BY FIRM OWNERS ON WHAT
AGENTS AND INSURANCE COMPANIES COULD
DO TO BETTER THEIR SERVICE

Criticism	Number of Times Criticism States
Less Records and Forms to fill out pertaining to Insurance	17
Policies Written in Simpler Forms	8
Make Adjustments on Losses More Quickly	5
Agent Trained to Explain his Policy and Coverages More Fully	3
Lower Rates by Better Selection of Risk	2
Policies Written with Broader Coverage and Less Exclusions	3
Better Service from Company and Agent to Insured	5
Better Relations Between Adjustors and Persons having Claims	1
Totals	44

Five firms stated they felt insurance companies could improve their service by adjusting losses faster and that the company and agent should give better service, such as answering correspondence more quickly, have less errors from company home offices, and require less complex forms to fill out.

Three firms stated they felt agents should be better trained on the coverages they are selling and two firms stated they felt rates could be reduced if companies were more selective in the risks they write. Another firm owner stated he felt insurance companies should strive to have better relations between their adjusters and the person presenting the claim. However, as a group, the fifty firms interviewed stated they felt insurance companies and agents were doing a good job.

CHAPTER III

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Summary

This study sought to determine the habits, cost, and type of insurance carried by small business firms in Pittsburg, Kansas, which would be of value to individuals seeking to open a small business firm in this area. It should be of value to high schools and colleges of the Pittsburg area in determining what changes, if any, should be made in the business curriculum to assist its graduates to enter the insurance field or teach subjects relating to insurance.

The data for the study was collected by means of personal interviews with 50 small business firms in Pittsburg, Kansas.

Some of the findings of this study are as follows:

1. Of the 50 firms surveyed, 49, or 98 per cent, carried automobile liability insurance.

2. Thirty-six of the 40 firms owning trucks, or 90 per cent, carried truck liability insurance.

3. The limits of automobile and truck liability insurance ranged from 5-10-5 to 100-300-5 with most of the firms carrying 15-30-5.

4. Of the 50 firms interviewed, 46, or 90 per cent, carried fire and theft insurance on their automobiles and trucks.

5. Thirty-one of 50, or 62 per cent, of the firms had collision insurance on their automobiles and trucks.

6. Of the firms interviewed, 39, or 78 per cent, carried public liability insurance.

7. Twenty-six of 50 included in this study, or 52 per cent, had Workmen's Compensation insurance.

8. Fire and extended coverage insurance on the buildings was carried by 25 of the 26 firms owning their buildings and fire and extended coverage on the contents was carried by 44 of 50 firms, or 88 per cent.

9. Of the 44 firms carrying fire and extended coverage insurance, twenty or approximately 45 per cent carried coinsurance on their policy.

10. Employees group hospitalization insurance was carried by four, or eight per cent, of the 50 firms.

11. Seventeen, or 34 per cent, of the 50 firms had personal and residence comprehensive liability insurance.

12. Of the 50 firms, three or only six per cent, stated they read their insurance policies.

13. Thirty-nine of 50 firms stated the agent in the area was the most important factor in determining where they purchased their insurance.

14. Of the 50 firms, 19, or 38 per cent, paid less than \$300.00 per year for their insurance.

15. The most repeated criticisms stated by the small business firms were that they were required by insurance companies to keep too many records and fill out too many forms.

Conclusions

In the light of the findings of the survey, the following conclusions appear to be warranted.

More firms carried automobile liability insurance than any other type of insurance.

Truck liability insurance was not carried to the extent automobile liability insurance was carried.

The larger the firm and the more capital invested the higher the limits of liability carried.

Fire, theft and collision insurance was not considered as important to the firm owner as liability insurance.

As only 39 of 50, or 78 per cent, carried public liability insurance, small business firms seem not to realize the hazards surrounding their premises and operations.

Workmen's Compensation insurance was carried to a large per cent even though it was not required by law, as 18 of the 26 firms, or 69 per cent, who carried Workmen's Compensation were not required to do so.

Firms with big investments in ~~building~~ or contents tend more to carry coinsurance on their building and contents.

Most firms did not carry an employees' group hospitalization insurance plan.

Slightly more than one-third of the firm owners carried personal and residence comprehensive liability. Most owners either had not heard of this protection or it had never been explained to them.

Most employers do not read their insurance policies, instead, they rely on what their insurance agent tells them.

Employers consider the agent as the most important factor in determining where they will purchase their insurance.

Insurance companies should try to stay abreast with the progress of time, by providing new policies with broader coverage, and by providing a better training program for their agents.

Recommendations

On the basis of the preceding findings and conclusions, the following recommendations are suggested:

1. The findings of this study could be used by graduates or other individuals, who intend to enter a small business firm in the Pittsburgh area, as a guide to the types, kinds, and cost of the insurance program needed for that type of business.

2. The findings of this study could be used by the departments of business education in the high schools and colleges in the Pittsburgh area to broaden their curricula so that students who may later enter some small business may know the insurance carried by small firms.

3. From the findings of this study, it is recommended that a course of insurance in business education should emphasize the types of insurance carried by the firms in this study as the insurance probably needed most in small business firms in this area.

4. Instructors of insurance subjects in our high schools and colleges should stay abreast of the constant changes and additions to the field of insurance.

5. Insurance companies and agents should strive to improve their methods and techniques in order to better serve the general public.

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APPENDIX

Name and Type of Firm: _____

QUESTIONNAIRE

Do You Carry:

1. Automobile liability insurance?
 - a. Limits of liability carried.
 - b. Reasons.
2. Truck liability insurance?
 - a. Limits of liability carried.
 - b. Reasons.
3. Material damage on vehicles?
 - a. Fire and theft.
 - b. Collision.
4. Public liability on premises and operations?
 - a. Limits of liability carried.
 - b. Reasons.
5. Do you carry Workmen's Compensation insurance?
6. Do you carry Workmen's Compensation insurance because you are required by law?
7. Fire and extended coverage insurance on your buildings?
8. Fire and extended coverage insurance on contents?
9. Do you carry coinsurance?
10. Do you have a Group Hospitalization plan for your employees?
11. Do you carry Personal and Residence Liability Insurance?
 - a. Limits of Liability?
12. Do you read your insurance policy or do you rely on what your insurance agent tells you?
13. What factors do you consider most important in determining from whom you purchase your insurance?

13. (continued)

1. Agent.
 2. Status of the Company.
 3. Price.
 4. Service.
 5. Others
14. Approximate total cost of all your business insurance during the year of 1954.
15. Do you proportion or defer your insurance expense over a twelve-month period, or do you charge it off on the month you pay for it?
16. What do you think insurance companies or agents could do to better their services?