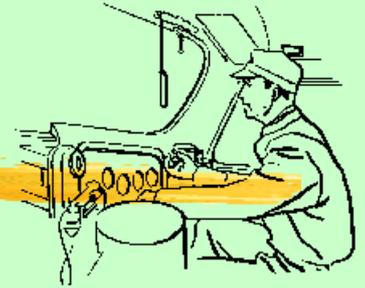
A large, intense fire and explosion is occurring on a railroad track. The fire is bright orange and yellow, with thick black smoke rising from it. In the background, a black tank car is visible on the tracks. The scene is set outdoors with some trees and a fence on the left side.

Insurance for Your Model Railroad

Marshall D. Abrams

Visit the Abrams Railroad Empire at
<http://abrams-railroad.Potomac-nmra.org/>

Clinic Objectives & Outline



- ◆ Increase model railroaders' awareness of homeowner insurance
 - Extent model railroad covered in the event of a loss
 - Insurance policies vary — read your policy!
- ◆ Determine value of your model railroad
- ◆ Getting adequate coverage

- ◆ Outline
 - Your insurance policy
 - Risk and Risk Acceptance
 - How Much of Your Model Railroad Do You Want to Insure?
 - Example: Estimating value
 - NMRA Model Railroad Insurance Program
 - Prepare to make a claim
 - Documentation
 - Online Resources



What Does Your Homeowners Insurance Cover?

- ◆ **Model railroads and their insurance policies are highly varied. Your situation may be entirely different. You've got to figure out for yourself:**
 - **What are the terms of your current insurance policy?**
 - **Focus on what isn't covered**
 - **What are your risks; how concerned are you?**
 - **What would you do if your layout suffered damage or theft?**
- ◆ **The key points concerning insurance are:**
 - **Most homeowner's insurance policies have some coverage of model railroads as personal property**
 - **Know what your policy covers and any limitations in its coverage. There are many forms of policies; get to know yours.**
 - **Review your situation periodically. Any of the key factors may change**
- ◆ **Have one or more conversations with your insurance agent and make sure you understand exactly what is and isn't covered by your policy and for how much**



Homeowners' Insurance Policy Forms

◆ Most homeowners' insurance policies are based on following forms

- HO-2 (aka Homeowners 2, Broad Form) Policy is a named-perils policy that specifically covers perils enumerated in the policy, and no others. Perils usually covered include windstorm, lightning, or hail, and fire or explosion.
- HO-3 (aka Homeowners 3, Special Form) The coverage for personal property is for named perils only—the same perils listed in an HO-2 policy.
- HO-4 (aka Contents Broad Form) is a modified named-perils HO-2 policy for renters of rooms, apartments, or houses.
- HO-5 (aka Homeowners 5, Comprehensive Form) Personal property is covered by an open perils clause rather than the more restricted named perils coverage of HO-2 and HO-3—any direct damage or loss to realty or personal property is covered, unless it is specifically excluded.
- HO-8 (aka Modified Coverage Form) policy is for older homes that have a replacement cost that is much higher than its market value.
- HO-6 (aka Unit-Owners Form) is a modified HO-2 policy specifically designed for owners of condominiums or cooperatives.

◆ <http://www.insurance-education-group.com/home-policy-forms.html>



Know Your Insurance Policy

- ◆ Insurance companies have multiple homeowners, renters, and condominium owner's policy forms. What are the terms of yours?
 - Homeowner's policies HO2 – HO5 typically insure unscheduled personal property at 50 to 75 percent of the amount of your policy
 - Designated for rebuilding your house
 - Less than market value (which includes land)
 - Your policy probably will be for specified amount if your railroad is in a separate building, or you are a condo owner or renter.
- ◆ Covered full replacement value or fair market value (prices on Ebay)?
 - Which do you want and are willing to pay for?
- ◆ Do you want insurance coverage for:
 - Infrastructure (e.g., benchwork, scenery, structures, wiring, track, power and control) or just rolling stock?
- ◆ Verify for yourself that the policy includes a precise statement that satisfies your requirements, or get a written statement of what the policy covers (words over the phone are really cheap...ask anybody).



More Considerations!

- ◆ Covered perils usually covered include windstorm, lightning, or hail, fire or explosion, water (but not flooding), theft. Do you want additional coverage?
 - Do you move frequently, perhaps due to employment or military service? Consider a separate policy rider.
 - Is weather a concern? Are hurricanes, tornadoes, or flooding frequent?
- ◆ Unscheduled personal property usually includes items such as furniture, clothing, appliances, cameras, musical instruments, and model railroads.
 - There may be a limit on the total insurance for some items, such as a \$5,000 limit for jewelry.
 - What is the deductible amount?
 - How much coverage is left after other unscheduled personal property?
- ◆ Will the insurance company give a discount if you have protective measures, such as fire and smoke detectors, and security cameras?



How Much \$\$

Make an Inventory and Assign Values!

- ◆ No quick and easy way to determine the value of all your possessions
 - You have to make an inventory and assign values
 - You can make approximations
 - Take digital pictures of everything.
 - Open every drawer and closet. Photograph the mess.
 - Estimate the number of items and their value, for example “30 men’s sport shirts, replacement cost \$75 each (Macy’s), actual cash value \$7.50 (Goodwill).”



Risk and Risk Acceptance

- ◆ Risk is a confusing subject. Need to understand a few terms.
 - You might want to read more in Wikipedia or your favorite information site.
 - People are notoriously bad at estimating risk
- ◆ Risk is the exposure to the chance of injury or loss
- ◆ Risk perception is the subjective judgment people make about the severity and probability or likelihood of a risk, and may vary person to person
- ◆ The bottom line is that you have to decide:
 - How much risk you're willing to accept
 - How much you want to reduce or share the risk by buying insurance.



Exactly What Is Your Model Railroad & What Do You Want to Insure?

- ◆ Your insurance agent probably doesn't understand model railroads
 - May think of Lionel Trains collections that are never run, or are taken out only at Christmas.
 - Collection of antiques or irreplaceable items (e.g., similar to original, expensive art work)
- ◆ Your layout may include irreplaceable antiques or “collectibles,” specialized models and equipment
- ◆ A “model railroad layout” also includes Control (DCC), Layout Command Control (LCC), and all the supporting miscellaneous parts.
- ◆ Track probably includes turnouts, switch machines, control panels, and computer control systems, such as Java Model Railroad Interface (JMRI).
- ◆ If you are covering such layout components, make sure the insurance agent understands or talk to the underwriters, the “damage department.”



Labor to Re-build

- ◆ Many modelers would welcome the opportunity to re-build part, even all, of their layout.
- ◆ Some modelers might want paid help because they don't have the time, skill, health, or inclination to do it themselves.
- ◆ In principle the labor should be covered by the insurance, just like hiring a carpenter or electrician to help repair damage. In practice there can be some difficulty in finding the craftsman.
 - Professional layout builders generally don't do repairs and don't work on site
 - Cost probably takes you out of homeowners and into specialized policy
 - Employing a less-skilled custom builder might be a solution, say a handyman as compared to a professional.
 - The modeler would need to select the amount of money to cover such rebuilding, probably making a SWAG (Scientific Wild-Assed Guess).



Example: Estimating Value

- ◆ This layout does not include collectibles, rather items that are still generally available
 - Listing all engines and assign a value to each based on how much he thought he would have to pay to replace them.
 - For newer engines that were still commercially available, he searched various places (hobby shop sites, eBay, etc.) and assigned an average replacement price.
 - For engine that was no longer commercially available, he valued it based on what he would have to pay to purchase the same engine, or a close equivalent, but used, on eBay.
 - Counted automobiles (average \$10) and people
 - Freight cars (average \$10)
 - Flextrack (\$5 per section)
 - DCC (eBay equivalent replacement cost)
 - Switch machines (\$15 each)
 - Crossing flashers (actual cost \$65)



Estimating Value (concluded)

- Structures: Most of the small stores are in the \$15-\$35 range
 - CMR & Bachmann City Scape (actual cost)
- Benchwork lumber (guestimated \$1 - \$1.5K)
- Wire and related parts (\$1K)
- ◆ Plans: have someone come in and put up the benchwork, and then he would do the rest.
 - Probably design the layout different in many respects, so if it was completely destroyed, he would not want a one-for-one replacement of each item.
 - Not insure for a professional model builder to rebuild
- ◆ Grand total: Model railroad is valued at \$10,000



How Far Does Homeowners Insurance Go?

- ◆ **Example: The replacement value of your house = \$300,000**
 - **Personal property coverage is 75 percent = \$225,000**
 - **Model railroad valued at \$10,000.**
- ◆ **\$225,000 - \$10,000 = \$215,000 left to cover all of your other personal property losses (furniture, computers, TVs, clothes, etc.)**
 - **Is that enough insurance?**
 - **If not, are you better off increasing homeowners or getting separate insurance for model railroad, such as NMRA Insurance (next slide)**



NMRA Model Railroad Insurance Program

- ◆ If your homeowners won't do, consider the NMRA insurance.
 - They've addressed the complications.
 - <http://www.jabash.com/> includes details of the plans, a set of Frequently Asked Questions, an application, and a Word form for taking inventory.
- ◆ Mix and match from three available plans

Plan 1, also called the Inventory Plan, permits you to select only the items you wish to be insured and list these on a separate inventory sheet.

Plan 2, the Blanket Plan, covers your entire collection, without having to submit a written inventory.

Plan 3, covers your layout (excluding rolling stock, which can be covered under one of the above plans). If you want to insure the cost of labor to repair or replace damage, you will probably be best taking a policy under Plan 3.



Prepare to Make A Claim

- ◆ **Knowing what one's policy covers and any limitations in its coverage is crucial. Some policies limit contents coverage to a percentage of the home's value, or cover only original purchase costs instead of replacement costs, or both.**
- ◆ **Maintain documentation (next slide)**
 - **Safeguard multiple copies of the inventory, digital photos and scanned documents on a memory stick stored offsite in your safe deposit box, friend's or relative's computer, or in the cloud.**



Documentation

- ◆ High value, rare, or unique individual items
 - Prepare and regularly maintain inventory of every component you want to insure, including as much pedigree as possible (the manufacture, brief description, date of purchase and the purchase price)
 - Digitally photograph or scan receipts
 - Determine if policy requires appraisal
- ◆ For custom items, like some modelers make for AP awards, it would be difficult to find a comparable item.
 - The AP documentation would help, as would close-up photos.
 - Never be able to get reimbursement for our research and labor. A piece of jewelry can be appraised, but a custom freight car?
- ◆ Use catalog, eBay, or equivalent to establish current MSRP



Documentation (concluded)

- ◆ Take digital photos of your model railroad including:
 - Broad, general images of the layout
 - Closer images of scenes containing numerous pieces of trackwork, rolling stock, structures, vehicles, figures, electronics, etc.
 - Group images of rolling stock (still boxed or arranged in a yard or at an industry)
 - Individual images of higher cost items including the manufacture's name or mark where available (brass locomotives, DCC boards installed inside locomotives, unassembled boxed structures, etc.),
 - Anything else that provides an image of items that will jog your memory of things to include in the detailed contents claim as well as provide evidence to the insurer that you possessed it.



Wrap-Up: Are You Adequately Insured?

- ◆ **Make sure you understand exactly what is and isn't covered by your insurance policy(ies) and for how much**
 - **What items and perils are and are not covered?**
 - **What are your plans concerning labor to re-build?**
 - **What are your risks**
 - **How concerned are you?**
 - **How much risk are you comfortable with?**
- ◆ **What is the value of your model railroad?**
 - **How much of that value are you insuring?**
 - **With homeowners insurance**
 - **With other insurance**
- ◆ **Do you have enough insurance on the rest of your unscheduled personal property?**



Online References

- ◆ *Insurance for Your Model Railroad*, Potomac Division Special Report. [http://potomac-nmra.org/Special Interest Reports/Insurance.pdf](http://potomac-nmra.org/Special_Interest_Reports/Insurance.pdf)
- ◆ *NMRA Model Railroad Insurance Program*, J. A. Bash <http://www.jabash.com/> offers focused insurance products for NMRA members
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- ◆ *NMRA Insurance Frequently Asked Questions*, http://www.jabash.com/nmrafaq_frequently_asked_questions.htm
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