

Potomac Division is instituting a new series of publications on its web page called “Special Interest Reports.” These reports, of lasting value, will include some articles that have appeared in the *Potomac Flyer*. The first Special Interest Report on “Insurance for Model Railroaders” follows. Improvements to the report submitted by members will be incorporated. We hope you find this information useful and interesting.

## Insurance for Your Model Railroad

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### ABSTRACT

Determining whether your insurance sufficiently covers your model railroad requires some work and decisions on your part: what coverage your homeowners’ policy provides, what all the components of the railroad are worth, your subjective assessment of the risk, and the labor you want included in the insurance. The labor component in the insurance was the most surprising outcome of the study described in this report. The importance of taking pictures was also a bit of a surprise. Inventorying your possessions and establishing their worth should be no surprise to anyone. The report contains several stories that help understanding.

It all started with Brian Sheron, MMR wondering if his guitars, banjos, and model railroad were covered by his homeowners’ insurance. Getting an answer turned into a research project. This article is the result.

### Main Points

One thing learned was that—like model railroaders themselves—their insurance policies are highly varied. We’re going to tell you what we learned, but 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:

- 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.

The topics covered in this report are: your insurance policy, risk and risk acceptance, how much of your model railroad do you want to insure?, nmra model railroad insurance program, brian’s discussions with his insurance agent, the whole house burned to the ground, hail storm destroyed garden railroad, if you have a claim, and online references.

## **Your insurance policy**

You will probably need to have one or more conversations with your insurance agent. Insurance companies often have multiple homeowners, renters, and condominium owner's policies. What are the terms of yours? A homeowner's policy typically insures unscheduled personal property up to 50 or 75 percent of the cost of rebuilding the house. Your situation will be different if your railroad is in a separate building, or you are a condo owner or renter.

To the extent that your model trains are covered, is it for full replacement value or what's called "fair market value" (e.g., prices on Ebay)? Which do you want (and which are you willing to pay for)? Does the insurance cover the infrastructure (e.g., benchwork, scenery, structures, wiring, track, power and control)? Do you want insurance to cover the cost of labor for a professional to rebuild the infrastructure or do you plan to do it yourself? Decisions, decisions, decisions!

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).

If your house burned down, the value of the land would not change, so your insurance covers only the cost of repairing or replacing the house. Unscheduled personal property is all of your possessions that are (a) in the house, (b) not attached to the structure, and (c) not so valuable that they are separately named and insured, often on a separate policy and even with a different insurance company (e.g., jewelry, works of art).

Do you move frequently, perhaps due to employment or military service? If movers happen to trash your layout during a move, you'd be lucky to recover the cost of some of the components with a large arbitrary "depreciation" deduction. A separate policy rider could make up the difference so that if you do lose the layout in a move, you can come close to replacing it.

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. Make sure you know what type of personal property coverage you have: A "replacement cost" policy typically pays the dollar amount it would take to buy a new item at the time of a claim, while an "actual cash value" policy pays the cost to repair or replace minus depreciation.

There's no easy magic way to determine the value of your possessions. You have to make an inventory and assign values. You can make approximations, especially with the aid of photographs. Take digital pictures of everything. Open every drawer and closet. Photograph the mess. Either put a value of everything you see, or 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)." The difference between the total value of your personal property and the maximum coverage in your policy is the amount available for covering your model railroad.

## **Risk and Risk Acceptance**

Risk is a confusing subject. Without going into technical detail, we need to understand a few terms. You might want to read more in Wikipedia or on your favorite information site.

- 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 and how much you want to reduce or share the risk by buying insurance.

## **How Much of Your Model Railroad Do You Want to Insure?**

When you say “model railroad” to many insurance agents they may think of Lionel Trains collections that are never run, or are taken out only at Christmas. In other words, they think of model trains as a collection of antiques or irreplaceable items (e.g., similar to original, expensive artwork) that usually require separate policies. These folks need to understand what your model railroad actually is. It is not a collection of irreplaceable antiques or “collectibles,” specialized models and equipment, although it may include some such items. They also need to understand the infrastructure involved in a “model railroad layout,” including lumber, electrical wiring, power sources and controls, Digital Command Control (DCC), Layout Command Control (LCC), and all the supporting miscellaneous parts. While they may think of track, they are probably unaware of turnouts, switch machines, control panels, and computer control systems Did you think of all these items when you started reading? If you don't feel confident that your agent understands, you may want to talk to the underwriters, the “damage department.”

Your model railroad can be insured on an itemized, or scheduled, basis, in the same way as jewelry, fine arts, cameras, and firearms. One benefit of this is that it will extend your coverage to breakage (that is, it will cover the replacement of the brass locomotive you just dropped on the floor!). Such coverage requires that a qualified individual establishes the value of the covered items. Insurance companies probably differ concerning qualified appraisers. If you are insuring high-value custom-made craftsman items, NMRA Plan 1, or equivalent, is probably your best bet. You'll need photographs and a written description of each item. The documentation required by the NMRA Achievement Program used for judging would be excellent.

Another key consideration is the labor to re-build in case of a loss. 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 to a home. In practice there can be some difficulty in finding the craftsman. Lance Mindheim, of The Shelf Layouts Company, notes that “most builders have no interest in going to a customer's site to do onsite work. Onsite work is expensive for everybody and very inefficient and disruptive from a business standpoint. In the case of a full scale loss, the builder would build the

new project in their shop and then transport it and set it up at the customer's location." There is an extremely wide range in cost of professional rebuilding. Lance says that "there are so many variables that even ballpark costs are hard to nail down. Variables include: scale, track density, number of structures, complexity of scenery, distance from builder etc. Costs could be anywhere from \$150 per square foot for an unscenicked, simple HO layout to over \$1100/sf for an ultra-complex, all the bells and whistles, N scale project."

Stephan Lamb, of Stephan Lamb Associates, reports that "we have found, when determining costs for rebuilding, insurance companies have difficulty accepting the numbers, since these projects could take hundreds of hours at an average of \$60-\$80 per hour."

Many, even most, custom builders "do not bid any projects on a square foot basis," says Steve Worack of Progressive Model Design, "but the insurance companies like to. They need to receive a handful of bids for what they believe will be identical work, but obviously the quality of work from a few different custom builders can vary wildly."

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).

Tim Maier manages the NMRA insurance program (discussed in more detail below). Tim observes that "Insuring the layout is not an exact science, and we have found that NMRA members approach it in different fashions. Some folks insure the layout for the value of its components and do not contemplate insuring the cost of a professional layout builder. Some folks insure the layout for what it would cost for a professional layout builder to recreate the layout. The member places the value on the layout coverage thus that is the maximum payable in the event of a claim. Insurance carriers typically do not pay a person a labor rate to repair or replace their own layout.

"In the event of a claim, the insured member is responsible to present the claim to the insurer. During that process the insured member will provide an estimate of the repair or replacement. This estimate could include costs of damaged and or destroyed items, or an estimate of repair from a professional layout builder. The insurance carrier then reacts with payment for the loss or creates a dialogue to answer any questions that arise. This process is followed regardless of the loss scenario."

There is potentially a huge cost associated with hiring a professional layout builder to rebuild a layout, assuming you can find an individual willing and able to do that kind of work. Even the cost of having a semi-pro fellow modeler do the repair could be prohibitive. A homeowner policy's unscheduled personal property limit would probably not even come close to covering the replacement of a medium to large layout, much less your other personal property. A separate policy, such as the NMRA Plan 3 (see below) would probably be required to cover replacement.

### **NMRA Model Railroad Insurance Program**

J. A. Bash <http://www.jabash.com/> offers focused insurance products for NMRA members. You may 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.

The web site includes details of the plans, a set of Frequently Asked Questions, an application, and a Word form for taking inventory.

### **Brian's Discussions with His Insurance Agent**

Brian's insurance agent was initially unsure whether his trains were covered under his homeowners' policy. She probably thought that they were collectibles (e.g., pre-war Lionel or something). He explained that they were not collectibles, but items that were still generally available. Brian told her what he thought a rough-replacement value was, based on how many years he has actively been in the hobby, and the average amount of money he spent per year on the hobby.

She asked Brian if he had the trains appraised. He told her "no," but he could appraise them himself. Then she asked for his qualifications! He explained to her his experience as NMRA division officer and Achievement Program Coordinator, as well as the length of time actively in the hobby. She told Brian to write it down so she could show the underwriters who will determine if they accept his appraisal. So, Brian started appraising his trains, listing all the engines, and assigned a value to each of them. He valued the engines 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 an engine that was no longer commercially available, he valued it based on what he thought he would have to pay to purchase the same engine, or a close equivalent, but used, on eBay.

He then started counting all the automobiles on the layout. Depending upon the manufacturer, prices were probably between \$5 and \$15 per vehicle. He assigned an average replacement value of \$10 per vehicle, and multiplied that average number by the number of vehicles on the layout. He did the same for figures. He has a lot of these, since he models that ultimate megalopolis—New York City and Long Island.

The average costs he proposed were:

- Freight cars: Freight cars were of varying value. Some were probably \$20, some were perhaps worth \$5, and others worth maybe \$10. He just added up all the freight cars and assigned an average value of \$10 to each of them.
- Track: Brian roughly measured how many feet of track he had. Most of his track was Atlas code 83 flextrack that came in 3' sections that cost about \$5 per section at today's prices. He simply roughly measured the total length of track on the layout, divided by 3 to get the number of 3' sections he would need, and multiplied by \$5/section to estimate a replacement value.

- DCC Equipment: None of the command station, booster models, and throttles that Brian has are currently sold by Digitrax. For those, he looked up the price of what the equivalent replacement was selling for, and that was the value assigned. For example, Digitrax no longer makes a DT400 throttle, so he entered the price of a DT402.
- Switch machines: he added up the number of switch machines he has installed on the layout and assigned an average replacement cost of \$15 each to them.
- Crossing flashers from Berkshire Junction: Each cost about \$65, so that is the value he assigned each of them.
- Structures: Most of the small stores are in the \$15-\$35 range. He added up the smaller buildings and assigned an average price to them, also adding on for the window treatments (he has City Classic curtains in most of his buildings), the interior lights, paint, and other details (antennas, roof access hatches, etc.)
  - CMR buildings cost a couple of hundred dollars each, so he valued each of them separately based on their current replacement cost.
  - Bachmann City Scape buildings cost between \$70 and \$90 each. These larger, more expensive buildings were also valued separately.
- Benchwork lumber: He guesstimated a flat \$1,000 to \$1,500.
- Wire, terminal blocks, toggle switches, etc.: He guesstimated a flat \$1,000.

The bottom line is that if the layout got destroyed, Brian doesn't want to spend months arguing over every individual item. Assuming he decided to rebuild it, he would not expect the insurance to pay a professional model builder to rebuild it, even if one was willing. Having a professional layout builder rebuild a layout of the size of his would be prohibitively expensive. Plus, that would definitely wind up with him exceeding the limit of his personal property coverage amount. Also, Brian thought that a big part of model railroading is building the layout yourself.

Brian thinks that he would probably have someone come in and put up the benchwork, and then he would do the rest. He also would probably design the layout differently in many respects, so if it was completely destroyed, he would not want a one-for-one replacement of each item. Although this is his third layout, he says there are many things he would do differently if he had the opportunity to start over!

### **The Whole House Burned to the Ground**

Gary Mason's whole house in another part of the country burned down due to a lightning strike in the latter 1990s. "The home and all of its contents were a total loss (the local volunteer fire department arrived quickly but was unable to get the engine to pump water (!), so it burned to the ground." His homeowner's insurance covered the replacement cost of all contents subject to the value of the residence structure cap [you should check the cap in your homeowner's policy—ed]. The value of the residence in Gary's case was based on the purchase price paid for the home—excluding the underlying land—plus the costs for any improvements/additions made since the purchase (records and receipts for the latter are normally required. [You should check your policy. Gary's experience may not apply to you.]

Gary felt that the insurance company treated him fairly: “even though I had provide an itemized list of every content item being claimed together with its date of purchase (month/year), original cost and current replacement cost. Estimates for date of purchase and original cost were accepted by my insurer since all my records were lost in the fire. [Digital records make it easy to keep duplicates off-site or in the cloud]. Current replacement costs came either from current retailer ads or manufacturer’s suggested retail price (SRP) listings for recent purchases or from searches of eBay’s website for completed auction sale prices for older items (some of my rolling stock dated back to the late 1960s and had been out of production for some time).

“Since my insurance claim was for the entire contents of the residence, itemization of all contents had to be completed and submitted as one item (which took nine months to prepare). It is amazing when you try to recount from memory what was in each drawer in the kitchen item-by-item, then develop the details necessary for the claim on those items; a single seemingly innocuous kitchen drawer can sometimes easily comprise a replacement cost of hundreds of dollars within the insurance claim.

“I think you’ll find that many, perhaps most, insurers will cover a model railroad against loss—at least for the cost of its components (rolling stock, structures—sembled and unassembled, trackwork, scenery, etc.) as well as the structural elements used in its construction. But these—as with virtually any other contents being covered—would be subject to both a contents deductible and a value of the residence cap (or a percentage of this value). So I cannot emphasize enough the importance of being aware of both what the homeowner’s policy actually covers contents-wise, as well as the separate values of one’s home and its contents. In my case the replacement value of the contents exceeded that of the house itself by about 25%. So the insurance policy only covered and reimbursed for three-quarters of my contents losses based on their replacement value. 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.

“The contents loss not covered by my insurance policy was claimable as a capital loss for income tax purposes, subject to an annual limit, which resulted in it being spread over the next three tax years’ tax returns. (This is readily claimable for tax purposes by itemizing all contents, even those exceeding what the insurer will cover, and submitting this complete list to the insurer. This provides *prima facie* evidence of the capital loss for IRS purposes.) But, of course, this tax claim basically only relieves one of the income tax value associated with the capital loss, so it only offsets the loss based on the value of one’s tax obligations in those return years. I have no idea whether or how the recently enacted tax reform law may affect claiming such a capital loss.

“The value of a home’s contents for most middle- and higher-income families may exceed the value of their home itself, depending on the local real estate market. [Some companies offer such an automatic adjustment to cover market fluctuations and changes in construction costs.]

“Based on my experience there are several key recommendations I would offer when it comes to documentation when insuring a model railroad against loss or damage:

1. Prepare and regularly maintain an inventory of every component you want to insure, including the manufacturer, brief description, date of purchase, and the purchase price (excluding sales taxes).

2. Retain receipts of high cost individual items (check your policy for any receipt threshold) and either digitally photograph or scan the receipt and include it as part the off-site storage.

3. 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),
- Individual images of higher cost items including the manufacturer's name or mark where available (brass locomotives, DCC boards installed inside locomotives, unassembled boxed structures, etc.), and
- 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.

4. 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.”

### **Hail Storm Destroyed Garden Railroad**

Another modeler, who had replacement cost insurance, experienced a big hailstorm which destroyed his roof damaged the siding gutters and some wood trim. It also destroyed his very large outdoor G scale railroad including all the buildings and 17 freight cars, and smashed the ties out of the rails and 27 switches, including some very expensive number six switches The adjuster told him to list every item and show a catalog or advertised MSRP retail price for each item. They paid off every item at full MSRP price. The freight car bodies were not repairable, but the trucks and metal wheels were fine except for a couple of side frames. Many other parts were salvaged. Most of the rails were ok, none of the switches were worth trying to repair, but most of the motors were salvaged. The repairs were time consuming.

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. We would never be able to get reimbursement for our research and labor. I have a headache thinking about it. A piece of jewelry can be appraised, but a custom freight car?

### **If You Have a Claim**

Here's some advice in case you are unfortunate enough to sustain a loss and make a claim under your insurance policy:

When your claim is initiated—probably after you call your insurance company's claims department—the insurance policy's underwriter may place the maximum amount it is liable for under the policy into an escrow account. Any/all payments to you will come from this account.



You will be dealing with an Adjuster who represents the insurance underwriter, not the local agent you may have known for years. Note that the Adjuster represents the underwriter, not you, the insured. Your local agent has no authority to approve any monetary disbursements to you in connection with your claim. Only the Adjuster can provide these approvals. At this time, you need to become intimately familiar with the details of your policy. It is not the job of the Adjuster to make you aware of them.

The Insurance Adjuster determines the extent of the insurance company's liability when a claim is submitted. If you're not comfortable working with the Insurance Adjuster, you may want to hire a Public Adjuster—a self-employed person who represent your interests in determining or settling the amount of your claim. You should expect to pay the Public Adjuster a percentage of what the insurance company ultimately pays, much like you would if you hired a personal injury lawyer to settle an auto insurance claim.

“If you decide to use a public adjuster to help you in settling your claim, this service could cost you as much as 15 percent of the total value of your settlement,” the Insurance Information Institute (III) says (see <https://www.iii.org/article/settling-insurance-claims-after-a-disaster>). If you decide to hire your own adjuster, III suggests checking references carefully with consumer agencies and the state insurance commission.

Ask the Insurance Adjuster questions to clarify exactly what is covered by the policy (i.e., “Is [this] included in the contents covered by the policy?”). The Adjuster should respond with a clear “yes” or “no.” If they equivocate, say “maybe” or anything else which is not a definitive yes or no, you need to repeat the question and obtain a clear “yes” or “no” response.

Keep judicious, chronological notes on each conversation you have with the Adjuster. Each time you receive a “yes” or “no” answer to a question from the Adjuster on what is or is not covered by your policy reiterate it in writing (email or letter) back to the Adjuster and retain hard copies of same. Remember, it is the job of the Adjuster to minimize what the underwriter has to pay out to you under the policy.

The above advice is not to frame an adversarial relationship between you and the Adjuster, but to make sure that you are aware of whose interests are being advanced by whom in the relationship as well as the record keeping that may prove essential to your financial interests.

## **Online**

You may find the following online references useful.

*NMRA Model Railroad Insurance Program*, J. A. Bash <http://www.jabash.com/> offers focused insurance products for NMRA members

*The NMRA Model Collection Insurance Program*, <https://www.nmra.org/model-insurance>  
*NMRA Model Collection Insurance Brochure*,  
<https://www.nmra.org/sites/default/files/memberservices/insurance.pdf>

*NMRA Insurance Frequently Asked Questions*,  
[http://www.jabash.com/nmrafrequently\\_asked\\_questions.htm](http://www.jabash.com/nmrafrequently_asked_questions.htm)

[Joe Algozzini](#), *Toy Train Insurance*, Collectible trains need the right kind of coverage. Here's what you need to know. <http://ctt.trains.com/how-to/beginners/2010/07/toy-train-insurance>

*Your Model Trains Are Worth Protecting*, <https://www.sureapp.com/collectibles/model-train-insurance>

*Settling Insurance Claims After a Disaster*, Insurance Information Institute, <https://www.iii.org/article/settling-insurance-claims-after-a-disaster>

In case you were wondering, Brian was told by his insurance company that his musical instruments (mostly banjos) were covered as long as he didn't use them to earn money. If he used them to earn money, they would have to be covered under a separate policy. Brian reports that while he often "will play for food," he will also "stop playing for money."

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Marshall Abrams, Brian Sheron, MMR, Bill Demas, Gary Mason, Lance Mindheim, Tim Maier, Stephan Lamb, and Steve Worack contributed to this article. **I**