

The SRSC Newsletter

The Santa Rosa Stamp Club

Promoting the study, knowledge, and enjoyment of stamp collecting.
APS Chapter #1584



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Editor's Note

Dennis Buss

I am very pleased to receive the first contribution for articles on the theme of getting to know our club members. Instead of waiting for someone to interview her, Susanne Scholz decided to write her own story about how she got started with stamp collecting. I urge you to follow her example. Interviews are great but if you don't have the time for making the arrangements, by all means send me your stamp collecting autobiography. And, who knows, one outcome might be a club member who recalls your article and collecting interests, and brings in items to swap, sell or even give away!

Members may remember Stephen Brett's informative 2014 presentation on ensuring your stamp collection. It was a comprehensive introduction to an important topic that many of us should consider especially if one's collection contains items of significant value. Steve decided to review and update his presentation notes in the form of the article that appears below. His extensive experience as an insurance executive serves as the basis for the valuable insights and advice he offers.

How I got into Stamp Collecting

Susanne Scholz

I am 8 years old and in my parents' basement in Canada with many buckets of water filled with envelope corners and stamps. I stir the water gently and remove any loose stamps to dry newspaper and wring out the empty corners for the trash. The stamps will dry and be put in big envelopes to be given to the Club my Dad belongs to, and they will send them off and get paid for them. So, I learn that stamps are valuable, and I see that there are many different varieties.

Skip forward 30 or so years and my Mom shows me a stamp book that my Grandparents started. It has lovely old stamps in it and my early childhood memories are rekindled. I acquired a Canadian Mountie Stamp Album with a few stamps in it and I was hooked on filling it. Jim, my husband, collected US through 1955 and since I was living in the US, I added US Stamps from 1956 forward to my collecting interests.



There was no stamp club in Lake County, but we found the Santa Rosa group and joined. I started focusing on my Canadian collection and the rest is history, as they say. I now have so many Canadian stamps that I am working through selecting the best for my book and Jim is creating stock pages for the many, many duplicates. Westpex is coming up and I am hoping to be able to sell some of the excess to

dealers that specialize in Canadian stamps. It seems that the incredible volume of stamps that were in those buckets in the basement have influenced my current behaviour(sic) of buying almost everything offered at the club that is Canadian.

Insuring Your Stamp Collection

Stephen Brett

You've collected stamps all or most of your life and have built a fine collection that you've taken care of - it is protected and in a safe place in your home. There are binders and books and other miscellaneous materials and collecting tools. There also may be valuable items belonging to others in your care. Then there's a fire, or flood, or perhaps a burglary or a tree falls on your house and there's a collapse and damage. In the case of a fire, the collection is damaged by the fire department playing hoses on the fire. Then there's ensuing mold and mildew further ruining the collection. The loss is a serious blow. You're attached to your collection. You'd like to continue to salvage what you can and continue to collect. If there's a burglary or a theft, you'd like to have help in possibly recovering the collection. What can you do?

When the shock is passed you turn to your Homeowner's policy. How much coverage do you think you have under your homeowner's policy? Complete replacement cost? Up to the policy limit for building and personal contents? Well, if not that liberal, at least a decent sub limit of liability - like perhaps \$ 5,000 or \$10,000 or even \$ 25,000 for the collection?



Before answering this question, I suggest a crash course in insurance. Insurance companies, through the policies they issue, allow for a transference of risk to themselves in return for a payment of premium (the cost of the insurance) by you. The policy is a promise to pay for loss or damage to property under certain stated conditions specified in the policy. The coverage grant is not absolute. Even so-called ALL RISKS policies have conditions.

You, as the insured, have obligations - among the obligations are the duty to use prudent efforts to keep the collection reasonably safe and to submit claims (through a *Proof of Loss*) in a timely fashion and in a manner where the loss is duly described. We will go over coverage shortly.

Basically, the insurance carrier groups together risks of a like kind (in this case, stamp collections) to create a basis of predictability. If only one collector was insured, the premium would have to be huge. You might say, the odds of one collector sustaining a loss would be 50/50. The premium might be 50% of the declared value of the collection plus a loading for the insurance carrier's expenses plus the broker's commission. But, if 25,000 collectors were insured for several years and 25 to 30 had payable claims each year, the insurance carrier can promulgate a rate which is much, much lower.

So, by pooling together a small but actuarially sound premium from each member of a homogenous group of collectors when 25 to 30 submit claims annually, the insurance company can administratively pay their claims, fully cover the expenses of operating the company, pay brokers for the business they develop and make a profit.

This is all driven by the bedrock principle called *The Law of Large Numbers*. The larger the pool of similar risks, the greater the predictability of results the more stable the cost of insurance to the consumer and the less the need to increase individual premiums. Bottomline: the buyer is much better off going to the carrier who specializes in the business of insuring stamp collections (and other collectibles), who has a large buying public and has a big pool of customers regularly paying into the insurance pool that can be tapped into to pay your loss.

What motivates a collector to insure his or her collection? Insurance is a transfer of risk; risk is defined as uncertainty. Uncertainty is a fundamental component of concern or worry. So, insurance can mean peace of mind. Through the payment of a small premium you transfer not only the risk but also the worry.

Next, if you have built or are continuously building a large, valuable collection you have been committing a lot of your assets to it. An insurance policy covering the asset value of your collection by and large guarantees the continuous value of this asset. If the collection is lost in a catastrophe and much more is lost in this catastrophe including personal injury, little or nothing may be left financially to replace the collection. A specific policy for the collection earmarks specific funds to replace or recondition the collection.



Let's say you have promised to leave your collection to someone for many years. Shouldn't you back the promise and expectation by insuring it? And, if you were to use your collection as collateral, borrowing against it, an insurance policy from an "A" rated company brings the collateral up to an "A" rating. If you were to take responsibility for a collection, either in whole or in part, isn't it wise to cover your liability? Or, prior to taking on that responsibility ascertaining that the other party has insurance on the collection while you are watching over it?

Let's get into coverage under a typical California Homeowners policy. First, who is insured? You and residents of your household who are relatives or other persons under 21 years of age and in the care of the named insured. It can be a student enrolled full time and your relatives 21 or younger living in your care.

The insured location is the residence premises or the part of other premises, structures and grounds used by you during the policy period and any part of premises not owned by an insured where he or she is temporarily residing. It can be the insured's rented premises other than for business. The premises can be a one family dwelling where you reside or the 2, 3, or 4 family dwelling where you reside. The policy covers personal property owned by or used by the insured while anywhere in the world. But, the heart of the matter for Stamp Collectors is that under the Special Limits of Liability paragraph there is a specific \$ 1,500 limit for stamps. (FYI: for coins the limit is only \$ 200.) The normal limit for personal property under the Homeowner's Policy is 10% of the insured residence - but, alas for stamps only the amount, as just mentioned, is \$1,500. For dealers, the away from premises limit is \$500. If you are a dealer attending a stamp show, you have a \$500 limit. By the way, don't expect coverage for loss or damage to your stamps under the automobile policy.

If the loss is caused by earthquake don't look for coverage unless you have purchased earthquake insurance separately. But, if you have purchased E.Q. insurance, the limit for stamp collections is only \$ 1,500 and that after a 15% deductible. Flood is typically not covered. You have to buy that separately. You may not wish to buy insurance and there's a legitimate alternative to paying premiums. It is called self-insurance. This is not,



classically, simply doing nothing. Big businesses begin the journey to self-insurance by taking bigger deductibles (a/k/a self-insured retentions, and building a fund from insurance premium savings which grows (hopefully) year after year, until the fund (or reserve) is large enough to cover most potential losses.

But, there's more to self-insuring than just building a reserve of saved premium dollars. A true self-insurance program blends in risk management steps. For the sake of brevity this topic can be addressed in a subsequent *Newsletter* article. Briefly, the steps include an environmentally safe location for the collection as well as protected housing (safes), alarm system and being discrete (not telling the world about your high valued collection!). Self-insurance should always be accompanied by prudent risk management.

Another means of insuring your collection is the option of attaching a Scheduled Personal Property Endorsement (a/k/a P.A.F. - Personal Articles Floater) to the Homeowner's Policy. With this coverage, possessions such as stamps and coins are covered. Each article is itemized and detailed in the floater. Excluded perils are outlined. P.A.F.'s often do not have deductibles.

Using Liberty Mutual as a respected P.A.F. underwriter, the collector typically goes about obtaining P.A.F. coverage as follows:

1. Estimate the value of your collection. Use online valuation or hire an appraiser. APS Dealers are also valid.
2. Approach a company like Liberty Mutual who specializes in collectibles. I've been happy with the American Philatelic Society program through Hugh Wood, Inc. Your insurance broker can tap Lloyd's of London for specialist syndicates for this class of business.
3. Determine the amount of insurance you need. Choose a policy that picks up where your Homeowner's policy leaves off.
4. Complete an inventory of your collection. An inventory is not always required but it can expedite payment of claims if loss occurs. Underwriters often require special documentation of high valued stamps including validated appraisals and photos. Expect this when individual stamps are valued at \$ 25,000 or more.
5. Payment of the first premium initiates coverage.

I'll close with a personal note. I've always been on the company side and have never been an insurance broker where one's living comes from selling insurance. But, I've always known that buying insurance is regarded by most as a necessary evil, often imposed by law (as in auto insurance) or lenders (when you take out a mortgage). But, when a loss visits you, insurance is a pleasant and reassuring fallback to have in place.

Steve Brett, Senior Underwriting Executive - Brit Syndicate, Lloyd's of London, Retired.



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The Santa Rosa Stamp Club meets on the first Tuesday of the month from 6:45 pm to 9:00 pm at the Finley Community Center, Cypress Room, 2060 W. College Ave. in Santa Rosa.

Membership dues are \$20 per year.

For information about the club visit our website at
<http://www.santarosastampclub.org/home.html>

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