

## The Librarian And Insurance

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### FOREWORD

The library insurance article which follows was written at my request. After more than twenty years of serious effort to maintain adequate insurance coverage for a public library system, I found Mr. Allen to have made the most effective, serious and dedicated study of library insurance problems in my experience. As a result, I am prone to believe that our library system has as fine an insurance program as has ever been developed for a library.

In his article, Mr. Allen urges librarians to work with their local agents to determine the insurance needs of the library. I am impelled to add that the librarian will need to check on the diligence of the agent to be selected in an effort to find one willing and able to develop the needed insurance program. Librarians should insist, for example, that the agent read the new ALA book, **Protecting the Library and Its Resources**.

Finally, there is the recurring problem of dividing the library's insurance among several local agents. It would be a rare case if a good insurance program could be developed with several agents working independently on several aspects of the library's insurance. The local agents should agree that one and only one agent will be responsible for the library's insurance.

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Surely you would think it is ridiculous for me to suggest that you leave the front door of your library open all night. But when you have an inadequate insurance program, you are subject to more financial loss than if you were to do this and your book stock and other items of value were to be carried off. An inadequate out-of-date insurance program is of little value to your library.

The librarian is charged with the operation of the public library, but in addition to that, he is also charged with the responsibility of protecting the resources of that library. Proper and sufficient insurance is a must for the public library. An insurance program that was updated five or ten years ago is not adequate, unless, that is, you have not added one additional book for the past five years or employed one additional employee.

To begin with, each librarian should seek the advice and services of a competent insurance agent. This agent should be well versed in the insurance business and since the majority of them are members of your community, they are also vitally concerned with the operations of their public library. This agent can keep you abreast of the changes in the insurance industry and aid you in evaluating your property and upgrading your insurance program.

Now let's talk about reviewing your insurance program. This is an annual project. It should be done at a minimum of once a year. And whenever any change, no matter how minor you may feel it is, takes place in your library, you should contact your agent. Discuss it with him, and he will advise you whether or not it will effect your insurance program. The first duty of the librarian and his agent in this review is to make a study of the entire operation of the public library and determine where the exposures to monetary loss are. Then determine what coverage is available to best protect these exposures from the standpoint of cost and coverage.

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Cost should not be the prime consideration, for we all know that we get only what we pay for. We should make certain the insurance policy purchased provides other facilities, such as prompt claim service and engineering service to aid you in preventing losses, for the insurance company like yourself, does not want these losses to occur on your premises.

After the exposures to loss have been determined, you will find that these exposures will fall into four major categories; physical loss (such as fire damage to the building itself), third party loss (such as exposure to suit from a person injured on the premises), honesty coverage (dishonest acts of your employees) and miscellaneous coverage (such as workmen's compensation). Let's take these four major categories and briefly discuss some exposures that may exist and how these exposures could best be covered. Please bear in mind that some of these may not apply to your particular situation and also these will be discussed in general terms. More specific discussion of these can be had with your local insurance agent.

Physical loss — To begin with, all of us realize that a fire in your library could cause serious financial loss, not only to the building itself but to the stock of books and other items housed in this building. To properly determine the amount of insurance to adequately protect this exposure, we would first need to know the value of the building. If a building burns today it would have to be replaced at today's cost, not the cost of the building when it was constructed ten or twenty years ago. We all realize that construction costs are increasing yearly at a considerable rate. Any insurance agent would be more than happy to assist you in having an appraisal made of your building to determine its insurable value. And again, the fact that this building might have been appraised ten years ago should not lull you into a sense of security. The appraisals and values should be brought up to date annually. In addition, particular attention should be paid to any alterations or additions to your existing plan. These also increase the value of the building and without it being adequately insured, you could be greatly penalized in the event of loss.

The most important thing to you in a public library is its stock. As you know there are considerable values in books and card records housed in the public library. But in addition to this, there are quite a number of pictures, pamphlets, maps, film, micro-film and sound recordings to mention a few.

If you will refer to your last state library annual report, you will see that this form breaks down the various classifications of books and other items, and would give you an exact number of the items housed in your library. After arriving at the number of books by classification, such as fiction, non-fiction, adult, juvenile and the number of miscellaneous items on hand, we then have to determine what each of these items in these categories would cost your particular library to replace. The American Library Association has recently published an excellent book entitled *Protecting the Library and its Resources*. This book would aid you in determining a value for each of the items mentioned. In this book, you will see that they have set some approximate values of these items. These values would have to be tailored to the local situation.

After the various items have been evaluated, bear in mind that there is considerable value in your card catalogues. These values should also be included. The easiest way to arrive at the value of the card catalogues is to use the total number of volumes housed

in the library times the average cost of one set of cards. The total of all of these values we have arrived at would be the values of the contents of the public library (excluding your furniture, fixtures and shelving). This value is the value of what you might call the stock-in-trade of the public library.

The library's furnishings (desks, files, tables, chairs, shelving and similar items) will have to be evaluated from inventory records of cost.

Let's discuss the best methods to protect the library against the exposure to loss from various contingencies. The building and its furniture, fixtures and equipment are subject to various types of exposure; the major one is obviously fire and lightning damage. In addition to fire, however, such things as windstorms, tornadoes, hail, and automobile damage. How do we protect ourselves against these exposures? First, the best method is the basic fire and extended coverage policy. Public libraries, as all public properties, are eligible for what is called the public and institutional property policy. This policy is only available to public properties and carries various discounts, thereby making it more economical. This policy can be written for the perils of fire and extended coverage. There are other coverages that can be added.

The contents of the library or so called stock-in-trade, even though they can be protected by a normal fire and extended coverage policy, are subject to additional exposures. In addition to the exposures previously mentioned, your contents are greatly subject to exposures from theft, water damage, vandalism and numerous other things. In addition to being subject to these exposures, the values of these contents greatly fluctuate, thereby making it very hard to keep up with under the basic fire insurance policy. Your local agent can design a policy for your particular library. This policy is called inland marine and can be tailored to meet your needs.

The second broad category would be third party liability. This is known as your exposure to legal suit from an individual who might be injured through the operations of the public library, someone tripping and falling in the library or your exposure to suit from an automobile accident. The normal exposures would be your exposure on the library premises, the operation of the library, and automobile operations, both owned and non-owned automobiles.

First, your automobile exposure can best be covered by the basic automobile policy, and if the number of vehicles warranted, a fleet automobile policy. In addition to covering the automobiles you own, bear in mind that non-owned automobiles exposure is also great. This is in the event any library employees use their personal automobiles on library business, the public library is exposed to suit. Members of the library board using their own vehicles on library business could expose the library to loss. This exposure should definitely be protected. All of this can be done by one automobile policy.

The premises of the library can best be covered by a comprehensive general liability policy. This policy provides coverage for bodily injury and property damage exposures at various limits; the increase in cost to obtain higher limits of liability is not as great as you might think. Please investigate adequate limits of liability. The awards granted by courts today are becoming very expensive.

Your local agent will explain to you and determine if you have any exposure from additional liability exposures that can be covered by this comprehensive general liability policy such as independent contractors, contractual liability, elevator liability, products liability or numerous other forms. Each would be specifically applicable to your library.

The third category would be honesty insurance. Surely we would not want to think that we would employ a dishonest employee; however, the losses under this type insurance are climbing.

The major exposure would be from the infidelity or dishonest acts of your own employees and this exposure can best be covered by a public employees blanket bond. Blanket bonds are written covering all employees of a public library system and automatically covering any new employees when employed. In addition to this bond granting honesty coverage, it also serves as a good check for the public library when a new employee is hired. The individual is asked to complete a bonding application which will give the bond company some information regarding the background of that employee. The insurance company will then further check that employee, and you will be assured that there is nothing detrimental in that employee's record.

Blanket bonds can be written a number of ways. One particular point to remember is that the premium for the blanket bond is based upon the total number of employees on the date that the bond is effective. As I previously mentioned, the bond covers any new employee that you employ without any additional premium during the term of the bond. With this in mind, it is best to purchase this bond for a four year term. This means that the bond can be written for four years; however, you make annual payments on an installment basis. This would mean that any new employees you employ during this four year period would be covered at no cost to the library during that time.

Another exposure for the public library under this honesty section would be burglary, robbery and theft. Adequate inland marine coverage can be tailored to provide burglary and theft insurance on your books and other stock items; however, bear in mind that additional items are exposed, such as office equipment, machines and money. You should determine the exposure from loss of money on the premises and decide if it is equitable to cover this exposure. Some libraries do not keep much money on hand. It may be better to assume this risk yourself. There is a money and securities broad form policy which can best protect this small money exposure. This form is the broadest burglarly insurance available today. It grants all risks coverage (the only form available that will cover money lost from fire). It can be purchased in small amounts at most economical premiums, and money is covered whether it is on the library premises or off the premises. In addition to covering money, it covers checks and securities owned by the library. This form should be investigated if it is felt that there is enough exposure.

Another category of insurance would include special forms. Under this category would fall workmens' compensation exposure. This coverage is statutory in the State of North Carolina. The law requires an employer, who employs five or more people (with certain exceptions), to purchase workmens' compensation insurance. Even though you may not have five employees, it is best to consider this coverage. The coverage is statutory and will reimburse the injured employee if he is injured in the course of his employment. The amounts of the recovery granted the employee are determined by the Industrial Commission.

Another exposure under this classification would be your exposure to loss from explosions of boilers and machinery. The boiler and machinery policy will reimburse the library for damage to its own premises, adjacent premises and injury to persons in the event of an explosion of an insured object. You should determine if there is this type of exposure on your premises.

In writing this article, I have tried to create an interest in studying insurance programs periodically. This study should be, as I have stated, made in cooperation with your local agent. It is not my suggestion that every known minor exposure be insured. The library should evaluate the size of each exposure and determine if it is economically feasible to purchase insurance against each. Remember that if the exposure is minor, it might be best for the library to assume this themselves.

I have mentioned briefly various individual policies available. There are also available today the so-called package policies that are applicable to your situations. These package policies simply combine various individual policies into one with various additional credits granted. These should definitely be investigated to determine if they will meet the needs of your library as they are more economical and in most instances, broader coverage is afforded.

To aid you in determining what types of policies might best suit your individual needs, I am including a chart of exposures and policies. This chart lists the exposures and some types of policies that could cover that exposure.

<i>EXPOSURE</i>	<i>POLICY</i>
Building and Contents	Fire and Extended Coverage Public and Institutional Property Form Package Policy
Books, Cards, and etc.	Inland Marine Policy Burglary Policy
Plate Glass	Glass Policy
Automobile Liability	Comprehensive Automobile Policy
Automobile Physical Damage	Comprehensive Automobile Policy
All other Liability	Comprehensive General Liability Excess Liability Policy Schedule Liability Policy
Money, Checks, and etc.	Money and Securities Broad Form Safe Burglary Policy Office Burglary Policy
Employee Honesty	Public Employees Blanket Bond Individual Bonds Schedule Fidelity Bond
Boiler & Machinery	Boiler & Machinery Policy
Workmen's Compensation	Workmen's Compensation Policy