

# Cotton Gin Insurance

In Arizona, California  
and New Mexico

*1956-57 to 1958-59*



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## SUMMARY AND CONCLUSIONS

Fire insurance, an indispensable service to the cotton ginning industry, plays a role of mounting importance as the costs of buildings, machinery, equipment and labor continue to rise. In the three states of Arizona, California and New Mexico premiums for gin fire insurance amount to more than one million dollars annually.

The information presented in this report on types of insurance coverage, rates and premiums paid for insurance, and claims paid by the insuring companies were obtained for three years beginning with 1956-57 from a sample of over half the gin owners or managers in the three western states and from local insurance agents serving the gins studied.

Information on types of fire insurance available to ginners, regulations governing insurance companies, and the procedures followed in establishing insurance rates were obtained from the Arizona Fire Rating Bureau, the Pacific Fire Rating Bureau in California, the Mountain States Inspection Bureau in New Mexico and the insurance departments of the respective state corporation commissions.

Most of the companies insuring gins in the three states of Arizona, California and New Mexico were stock companies and were either members or subscribers of their respective rating bureaus.

Two general types of insurance coverage were carried by ginners: stationary and marine insurance. Stationary insurance covers primarily all gin buildings and machinery and baled cotton while stored on the gin yard. Marine insurance covers products or property transported on land or sea.

### **Insurance on Buildings and Machinery**

In Arizona and California, gin buildings and machinery were insured to about 80 percent of actual value, and in New Mexico to about 87 percent of value. The actual value of gins for the three years of the study averaged \$193,012 in Arizona, \$170,409 in California and \$119,686 in New Mexico.

This coverage cost an average of \$0.44, \$0.58 and \$1.61 per \$100 valuation in Arizona, California and New Mexico, respectively. These final rates were determined by applying a schedule of charges and credits to the basic or key rate in each state. The key rates for gin plants were based primarily on (1) class of construction and (2) class of protection.

Premiums paid for this insurance averaged 8, 9 and 30 cents per bale in Arizona, California and New Mexico, respectively. The larger premium in the latter state resulted from the much higher rate per \$100 valuation and a smaller volume of cotton per gin.

No claims were collected on this insurance by California ginners during the three-year study. Claims in Arizona averaged only a small fraction of a cent per bale, and 7 cents a bale in New Mexico.

This insurance coverage excluded cotton during the ginning process. However, almost all ginners reimbursed their customers for such losses. These losses averaged \$80 per gin per season in Arizona, and \$200 in the other two states.

### **Insurance on Seed Cotton**

In Arizona, California and New Mexico, 99, 95 and 26 percent of the sample gins, respectively, insured seed cotton under separate policies. For most of these gins this insurance covered seed cotton from time of picking in the field until it entered the gin suction pipe.

An average of 79 percent of the Arizona sample gins paid between 12 and 16 cents per bale for this insurance. About 75 percent of the California gins paid between 5 and 11 cents per bale and almost 75 percent of the New Mexico gins paid 12 to 19 cents per bale for this coverage.

Premiums based on the rate per bale and ginnings averaged \$736, \$650 and \$530 per gin per season for Arizona, California and New Mexico, respectively.

Average claims collected per season on this coverage amounted to 73 percent of the premiums paid in Arizona, 61 percent in California and only 22 percent in New Mexico.

### **Insurance on Baled Cotton**

All of the sample gins in Arizona and California and 40 percent of the New Mexico sample gins had separate policies on baled cotton. About 84 percent of these policies provided full coverage in California, while only about a fourth of them provided full coverage in Arizona and New Mexico.

Rating bureaus established individual baleyard rates in the same general manner as for other types of property. About 67 percent of the Arizona sample gins paid a rate of \$1.00 to \$1.99 per \$100 valuation. The rate was between \$1.50 and \$1.99 for 75 percent of the California gins and between \$2.50 and \$2.99 for about 88 percent of the New Mexico gins.

Premiums for this insurance, which were paid monthly, averaged 23, 20 and 7 cents per bale in Arizona, California and New Mexico, respectively. Premium costs per bale were relatively low in New Mexico because at most of these gins bales were hauled directly to permanent storage facilities, whereas in California and Arizona baled cotton was stored temporarily on gin premises.

### **Combined Seed Cotton and Baled Cotton Coverage in New Mexico**

Sixty percent of the New Mexico gins had insurance on seed cotton from field to gin suction and on baled cotton from gin press to warehouse under one blanket policy.

Rates for this coverage ranged from 14 to 43 cents per bale, with 50 to 75 percent of the gins paying 29 cents or more. However, for all of these gins the premiums averaged 27.4 cents per bale, while claims collected averaged only 3 cents per bale.

### **Relation of Total Premiums to Claims**

Annual premiums for the three major types of coverage combined averaged 58, 42 and 39 cents per bale in New Mexico, Arizona and California, respectively. Total claims collected averaged 10 cents per bale in New Mexico and California and 15 cents in Arizona.

For every premium dollar paid for insurance, an average of 18, 26 and 35 cents was collected in claims by ginner in New Mexico, California and Arizona, respectively.

Inequities in insurance rates paid by New Mexico ginner appear to be rather general when compared to either California or Arizona and should be carefully examined.

The findings of this study also indicate that key or basic rate reductions may be warranted on buildings and machinery as well as on baled cotton in Arizona and California. However, seed cotton insurance could also be due a rate increase unless the current trend in losses is halted.

In a number of cases, ginner could reduce their insurance costs at little expense by taking steps to avoid penalties or by taking advantage of the credits available. For example, one ginner cut the rate on his baleyard insurance nearly in half merely by taking a few simple, corrective steps such as making minor repairs to the yard fence, clipping grass and weeds around the fence and properly posting "No Smoking" signs and yard markers.

In other cases, complying with certain requirements to secure reduced rates is obviously uneconomical. For example, a number of ginner have discontinued employment of a night watchman because the savings realized from reduced insurance rates did not offset the added cost of maintaining the watchman.

It should be the responsibility of the local insuring agent to help his client to qualify for the lowest rates economically attainable. Unfortunately, not all agents provide such complete service. Hence it becomes the duty of each individual ginner to review his insurance coverage periodically to determine the degree of protection which he is receiving from each insurance dollar expended.

# COTTON GIN INSURANCE IN ARIZONA, CALIFORNIA AND NEW MEXICO

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## INTRODUCTION

Fire insurance is a necessary service to the ginning industry. It is a service of growing importance as the cost of buildings, machinery, equipment and labor continue to rise. Although the average seasonal fire loss per gin may be relatively small, frequently one or more trailer loads of cotton are consumed by fire, less often a considerable number of cotton bales concentrated on a baleyard are caught in a flash fire and occasionally a complete gin plant is partially or totally destroyed during a processing fire. In dealing with a combustible product of relatively high unit value and with gin plants often valued at close to a quarter of a million dollars, the degree of risk confronting an individual gin owner is evident.

Cotton ginneries in the three states of Arizona, California and New Mexico pay a combined fire insurance premium estimated in excess of one million dollars annually. It is not anticipated that this cost can ever be completely eliminated. However, any pronounced trend in the reduction of losses from cotton fires, through the use of fire prevention and control devices or other means, could be accompanied by a corresponding reduction in insurance rates. Furthermore, it is hoped that should inequities in insurance rates and coverages be revealed in this and other studies, such inequities will be promptly investigated and adjustments made when warranted.

## PURPOSE AND PLAN OF STUDY

This report deals with the final phase of a study initiated in 1956 to ascertain the incidence and cost of gin fires and the coverage and cost of gin fire insurance in order to provide ginneries information as to possible means of reducing fire losses and insurance costs.<sup>2</sup>

The objective of this analysis was to determine and describe the structures of and trends in seed cotton, gin processing and baled cotton insurance available in the states of Arizona, California and New Mexico.

Data for this report were obtained for the three ginning seasons 1956-57 through 1958-59 from the same sample of gins employed in the first phase of the study. This sample contained slightly less than half of the combined total number of gins in Arizona and California, and about three-fourths of the gins in New Mexico. The number of gins in the sample by state and ginning season were as follows:

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<sup>1</sup>Agricultural Economists, Marketing Economics Research Division, Agricultural Marketing Service, U. S. Department of Agriculture. Dr. Wilmot was an Assistant Professor with the Arizona Agricultural Experiment Station at the time this study was made. Mr. Roberts retired on December 31, 1959.

<sup>2</sup>The first report dealing with the incidence and cost of gin fires was "Cotton Gin Fires in Arizona, California and New Mexico," Ariz. Agric. Exp. Sta. Tech. Bul. No. 144, December, 1960.

State	Number of Gins		
	1956-57	1957-58	1958-59
Arizona	87	87	85
California	83	88	88
New Mexico	47	48	48
Total	217	223	221

Detailed data on types of insurance coverage, rates and premiums paid for insurance and claims paid by the insuring companies were obtained from gin managers. In many instances the appropriate local agents of insurance companies, on the advice of the ginners concerned, provided general information on insurance.

Information on types of fire insurance available to ginners, regulations governing insurance companies and procedures followed in establishing insurance rates was obtained from the Arizona Fire Rating Bureau, the Pacific Fire Rating Bureau in California, the Mountain States Inspection Bureau in New Mexico and the insurance departments of the respective state corporation commissions. These were also the major sources of information relative to the legal status of insurance companies and the limitations and regulations under which they operate.

## AVAILABILITY OF INSURANCE TO GINNERS

### Stationary Insurance

The two general types of insurance coverage carried by ginners in these three states are referred to as stationary and marine insurance. From the standpoint of the cotton ginning industry, stationary insurance applies primarily to gin buildings, machinery and baled cotton while stored on the gin yard. In some cases, such items as seed cotton, cotton lint and cottonseed stored in the gin building may also be covered by this type of insurance.

All of the sample gins in California, 90 percent of those in New Mexico and 55 percent of those in Arizona had blanket-type policies which covered fire losses to gin buildings, machinery and equipment. None of these policies, however, insured the ginner against processing losses to seed cotton, lint and cottonseed that was actually in the gin line during a fire.

### Marine Insurance

Marine insurance applies to products or property that are being transported on land or sea. If the movement is on land, the coverage is referred to as "dry" or inland marine insurance, if on the sea, as "wet" marine insurance. All gin companies in this study carried some type of inland marine insurance covering the movement of seed cotton and/or baled cotton on the gin premises and baleyard.

In California and Arizona the standard procedure was to insure seed cotton and baled cotton under two separate policies. In New Mexico, however, three-fifths of the sample gins had one blanket policy covering both seed cotton and baled cotton.

Separate seed cotton policies provided for several options. One option covered seed cotton from field to scale, another from scale to

gin suction pipe, and a third from field to gin suction pipe. Coverage under the latter option normally extended to seed cotton owned by the insured or gin customer while in mechanical picker baskets, piled in the field, or while in the trailer or other conveyance with liability terminating when the seed cotton was removed from the conveyance.

The third option was far more popular with ginners in Arizona and California than in New Mexico. About half of the separate seed policies carried by New Mexico ginners limited coverage either from gin yard line or scale to the gin suction pipe.

Almost all of the gins in Arizona and California had baleyards for temporary storage of baled cotton. Insurance on baled cotton in these two states covered the bales from the moment they were released from the gin press until they were loaded on trucks for hauling to a compress or warehouse.

In contrast, only a few of the New Mexico gins had baleyards. Most of the gins in this state loaded the bales on trucks directly from the gin bale-platform for hauling to permanent storage facilities. Insurance carried on baled cotton by these gins generally extended until it was delivered to a compress or warehouse.

Premiums for seed cotton and baled cotton coverage were paid monthly in all three states. The monthly premium for separate policies on seed cotton was computed by multiplying the total gin-nings for the month by a stipulated rate per bale. For separate policies on baled cotton, the monthly premium was computed by first multiplying the daily average baleyard inventory for the month (for a few gins, the inventory on the last day of the month) by a simple average of daily spot prices at New Orleans to determine the value of the stored cotton. This figure was then multiplied by a specific rate per \$100 valuation. Specific rates for individual baleyards were determined by affixing applicable penalties and credits to a base rate established by the rating bureau for all baleyards.

For New Mexico gins which carried blanket policies on both seed cotton and baled cotton, monthly premiums were computed on the basis of a stipulated rate per bale ginned.

### **Types and Legal Status of Insurance Companies**

Most of the companies insuring sample gins in the three states were stock companies and were members or subscribers of their respective fire rating bureaus. The State of California is served by the Pacific Fire Rating Bureau with offices in San Francisco and Fresno. The Arizona Fire Rating Bureau, a subsidiary of the Pacific Fire Rating Bureau, has its headquarters in Phoenix, from which it serves the entire state. The New Mexico organization, an "Inspection Bureau," is a subsidiary of the Mountain States Inspection Bureau with main offices in Denver, Colorado. The New Mexico office is located in Albuquerque.

Rating or inspection bureaus are service organizations supported solely by insurance companies. Member or subscriber companies pay a membership fee and assessments based on volume of business done, and members take an active role in the operations of the bureau.



The rating or inspection bureau is licensed to operate by the state insurance department.

Before any insurance company may legally write insurance in these three states, it must be approved as to corporate structure. In making application to do business in the State of Arizona, for example, an insurance company must file a report of assets, liabilities and capital stock with the state insurance department. It is also required to submit a verification of cash assets held by banks and must deposit securities in the amount required by the Arizona revised statutes.

To deviate from the rates established by the rating or inspection bureau, an insurance company must file an application with the state insurance department.<sup>1</sup> If the insurance department concludes that the schedule of rates (1) is not too high for the public, (2) is high enough to maintain the solvency of the company, and (3) is not discriminatory, and that all other requirements have been met, the request may be approved.

## ESTABLISHING FIRE INSURANCE RATES

Fire insurance rates for gin buildings and machinery are based on the relationship between the number and amount of insurance claims paid, and the amount of premiums received for insurance coverage. Thus, as claims increase, rates must be raised to maintain a necessary balance. As claims decline rates charged usually follow suit eventually as a result of the forces of competition.

The establishment of the actual rate per \$100 valuation that an individual ginner must pay for fire insurance protection on specific gin buildings and machinery involves the determination of (1) the basic rate, and (2) the additions to and reductions from this rate for certain charges and credits, respectively.

### Establishing Basic Fire Rates

Basic or key rates employed by the rating bureau are developed in accordance with gradings established by the National Board of Fire Underwriters. The chief factors determining the rates for industrial building are (1) class of construction and (2) class of protection.<sup>2</sup>

In Arizona and California, key rate numbers for industrials range from 1-10. Cotton gins normally fall within the key rate number range from 6-10. A vast majority of the gins in these two states have been assigned key rate number 6. The qualification for each of these numbers and its assigned basic rate are as follows:<sup>3</sup>

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<sup>1</sup>Technically, California is a nonrate filing state but since insurance companies operating therein are also under the jurisdiction of the state commission, they are subject to investigation at any time and must keep their rates in line.

<sup>2</sup>Most cotton gins are classed as "unprotected" since they are located in rural areas. An exception is found in the State of California where county fire protection areas have been established.

<sup>3</sup>Systems for Rating Industrial Properties for the Use and Guidance of Fire Underwriters in Alaska, Arizona, California, Montana, Nevada, Utah. Pacific Fire Rating Bureau, effective June 1, 1950, pp. 2-3.

*Key Rate No. 6—Class All-Steel:*

Steel frame covered with corrugated iron or asbestos, or with metal lath and cement; roof purlins only permitted to be of wood. Contents noncombustible.<sup>1</sup> Key Rate—\$.50.

*Key Rate No. 7—Deficient<sup>2</sup> Steel:*

Steel frame, noncombustible siding, with only one of the following features: combustible—floor, roof, sheathing (sides and/or ceiling) or contents. Key Rate—\$1.04.

*Key Rate No. 8—Deficient Steel or Skeleton Iron-Clad:*

Steel frame, noncombustible siding (as in No. 7), but with two or more of the features—floor, roof, sheathing or contents—combustible; also ordinary iron-clad or open wood frame (“skeleton iron-clad”). Key Rate—\$1.19.

*Key Rate No. 9—Deficient Iron-Clad:*

Corrugated iron or asbestos on wood, sides sheathed and/or ceiling finished with wood or other combustible materials; also skeleton iron-clad sides with roof of composition on wood sheathing. Key Rate—\$1.54.

*Key Rate No. 10—Class D:*

Ordinary frame. Key Rate—\$1.54.

From the standpoint of fire insurance costs, the advantages of noncombustible construction and adequate fire protection facilities are obvious. Basic rates for a fully noncombustible plant were less than half those for buildings with only one combustible feature and less than a third of those for a building constructed of corrugated iron on wood or of the ordinary frame type.

The rate schedule for New Mexico gins, while set up in a slightly different manner, also gave prime consideration to class of construction and class of protection. Basic rates for noncombustible building in all classes of protection were substantially less than half the rates for combustible buildings in New Mexico. Rates in the best-protected districts were from a fourth to a third lower than in the least-protected districts.

### **Charges and Credits<sup>3</sup>**

Once the basic rate for an individual gin has been determined, the actual rate is derived by making additions for certain deficiencies and reductions for certain credits. Many ginners could reduce their rates by making necessary changes to correct deficiencies and to earn credits. In some instances, however, the cost to correct a deficiency may exceed the gain from the reduction in insurance rates. Most insurance agents indicated a willingness to discuss these problems with their customers.

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<sup>1</sup>Although cotton is combustible, there is normally such a small amount in the gin at any one time that, for all practical purposes, the contents are rated noncombustible.

<sup>2</sup>“Deficient”, as used herein, is a condition where it is expected that weakness and damage will develop at time of fire because of excess combustible construction.

<sup>3</sup>For a fairly comprehensive list of credits and charges employed in the computation of final rates for California and Arizona see Appendix A.

In establishing the rate to be levied against an individual gin plant, a representative of the rating bureau surveys the installation. This survey consists of a detailed inspection of the gin and related buildings, the baled cotton yards and any seed cotton piled in the open to determine the fire hazards present and fire protection available.<sup>1</sup> The surveyor can then apply the derived credits and charges to the key or basic rate for each item in question and arrive at the final rate to be levied.

It should be emphasized at this point that the preceding discussion of basic rates, charges and credits applies only to those insurance companies which are members of their respective bureaus. Companies that are not members of the bureau, or subscribers, may establish their own rates, with the approval of the state insurance department.

### **Coinsurance Clause<sup>2</sup>**

Coinsurance offers a real inducement to the purchaser of insurance in that it may provide a substantial reduction in rates. The amount of reduction depends upon such factors as type of construction, the nature of the occupancy, outside exposure hazards and available fire protection. Coinsurance usually enables the property owner to purchase a greater amount of protection for a relatively small increase in cost. Under this agreement the insured assumes an obligation to carry at all times an amount of insurance equal to a stipulated percentage of the actual cash value of the property insured. If he fulfills his obligation, he will collect the full amount on any loss up to the face value of the policy. If he fails to comply, he may collect substantially less than the actual cash value of his loss.

The gin owner should know the cash value of his property at all times and be in a position to prove it. Since the value of a gin plant fluctuates from year to year with frequent additions of new and expensive equipment, and since compliance with the coinsurance clause is determined on the basis of values at the date of the loss, he should compute the total valuation of his property at least annually. By so doing, he can safely take advantage of the savings available under the coinsurance clause.

The rates established by the inspection bureau in New Mexico, resulting from additions to and deductions from the basic rate, do not take into account coinsurance. When a noncombustible gin building is insured under a policy with a coinsurance clause applying, the published rate is reduced by a specified percentage figure.

To illustrate the value of coinsurance, assume that the rate on a noncombustible gin plant in New Mexico valued at \$100,000 is \$1.50 per \$100 valuation. If the gin is insured for half of its value, the annual fire insurance cost would be computed by multiplying \$50,000 by \$1.50 and then dividing by \$100, which equals \$750. If the gin is insured under the coinsurance clause at 90 percent of value, the rate would be reduced by 35 percent, or \$0.975 per \$100

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<sup>1</sup>A copy of the inspection form for cotton gins employed by the Arizona Fire Rating Bureau is shown in Appendix B.

<sup>2</sup>In some instances referred to as the "Average Clause."

valuation. Multiplying \$90,000 by \$0.975 and dividing by \$100 results in a premium of \$877.50. The insurance coverage has been increased from \$50,000 to \$90,000, an 80 percent increase, while the cost has been increased \$127.50, an increase of only 17 percent.

## INSURANCE CARRIED ON BUILDINGS AND MACHINERY

### Value of Gins and Extent of Coverage

Generally speaking the sample gins with the highest actual cash value were located in Arizona. The value of Arizona gins averaged about \$193,000 as compared to approximately \$170,400 in California and \$119,700 for New Mexico gins (Table 1). New Mexico gin buildings and machinery were insured to about 87 percent of value, whereas in the other two states coverage amounted to about 80 percent of value.<sup>1</sup>

**Table 1. Average Cash Value of Gin Plants, Insurance Rates Paid, and Proportion of Value of Gin Buildings and Machinery Covered by Insurance, by Ginning Season, Western Area,<sup>1</sup> 1956-57 to 1958-59.**

State and Ginning Season	Value of Gin (dollars)	Rate per \$100 Coverage (dollars)	Proportion of Value Covered (percent)
Arizona:			
1956-57	192,441	0.58	76
1957-58	193,298	0.58	79
1958-59	193,298	0.57	81
Average	193,012	0.58	79
California:			
1956-57	168,778	0.45	80
1957-58	171,225	0.44	80
1958-59	171,225	0.43	81
Average	170,409	0.44	80
New Mexico:			
1956-57	112,120	1.68	87
1957-58	121,856	1.59	88
1958-59	125,082	1.57	86
Average	119,686	1.61	87

<sup>1</sup>In this and succeeding tables Western Area refers only to the three states of Arizona, California and New Mexico.

### Rates for Building and Machinery Insurance

California ginners paid the lowest rate for insurance on buildings and machinery (Table 1). The average rate for the California sample gins was approximately 44 cents per \$100 valuation. The rate in Arizona was slightly higher, while in New Mexico this rate was almost four times that for California and almost three times that for Arizona. The fact that many New Mexico gins were of deficient construction was probably the chief reason for the comparatively high insurance rate in this state.

<sup>1</sup>In determining the amount of insurance coverage which should be applied to a specific gin plant, the agent generally excluded from the replacement value of the gin a figure covering such indestructibles as cement foundation, conduits embedded in the foundation and the value of the gin site. Frequently, 10 percent was quoted as the figure used in computing this deduction. Then in applying the 90 percent Average Clause, or co-insurance, an additional 10 percent would be deducted making the final coverage equal to approximately 80 percent of replacement value. On this basis, New Mexico gins appeared to be over-insured. It is possible, however, that many gin values were quoted in terms of a depreciated valuation rather than their actual cash value.

Over half of the New Mexico gins paid a rate of \$1.00 to \$2.00 per \$100 valuation (Table 2). In comparison, the rate for three-fifths of the Arizona gins and two-thirds of the California gins was less than \$0.50 per \$100 valuation.

### Insurance Claims and Other Adjustments

Few of the gin processing fires in the three-state area resulted in severe damage to gin buildings and machinery. No insurance claims of this type were filed by the California sample gins, and claims by Arizona sample gins averaged only \$4.00 per gin during the three years of this study (Table 3).

However, for the same period insurance companies paid out a total of \$42,542 in claims to the New Mexico sample gins. All but about \$2,500 of this amount was paid in 1958-59 and mainly to one gin which was almost completely destroyed by fire. This unusually heavy loss resulted in a ratio of claims collected to premiums paid of 73 percent for that year for all sample gins in New Mexico. However, the three-year average ratio for these gins was only 26 percent.

Policies covering buildings and machinery carried by the sample gins did not insure against losses to cotton products. In most years, however, losses to cotton products from gin processing fires constituted a large proportion of the total losses.<sup>1</sup> In almost all cases it was the custom of the gin to pay producers for such losses. These payments averaged slightly over \$200 annually in California and New Mexico, and \$80 in Arizona.

**Table 2. Rate per \$100 Valuation Paid for Insurance on Gin Buildings and Machinery by Ginning Season, Western Area, 1956-57 to 1958-59.**

State and Ginning Season	Rate per \$100 Valuation					
	Less than \$0.25	\$0.25- 0.49	\$0.50- 0.74	\$0.75- 0.99	\$1.00- 1.99	\$2.00 and more
	(percent of gins)					
Arizona:						
1956-57	31	35	10	12	10	2
1957-58	31	35	10	12	10	2
1958-59	42	27	4	15	10	2
California:						
1956-57	39	23	23	12	2	1
1957-58	38	23	25	12	1	1
1958-59	38	23	26	12	1	0
New Mexico:						
1956-57	0	0	2	16	54	28
1957-58	0	0	2	21	51	26
1958-59	0	0	2	21	54	23

<sup>1</sup>"Cotton Gin Fires in Arizona, California, and New Mexico," Arizona Agricultural Experiment Station Tech. Bul. No. 144, December, 1960, pp. 7-8.

**Table 3. Average Premiums Paid, Claims Collected and Ratio of Claims Collected to Premiums Paid on Gin Buildings and Machinery Insurance, by Ginning Season, Western Area, 1956-57 to 1958-59.**

State and Ginning Season	Premiums Per		Claims Per		Ratio of Claims to Premiums
	Gin	1,000 Bales	Gin	1,000 Bales	
	(dollars)	(dollars)	(dollars)	(dollars)	(percent)
Arizona:					
1956-57	516	73	0	0	0
1957-58	550	87	12	2	2
1958-59	455	76	1	<sup>1</sup>	<sup>2</sup>
Average	507	79	4	1	1
California:					
1956-57	537	94	0	0	0
1957-58	553	88	0	0	0
1958-59	540	84	0	0	0
Average	543	89	0	0	0
New Mexico:					
1956-57	1,277	265	37	8	3
1957-58	1,268	348	0	0	0
1958-59	1,299	292	952	214	73
Average	1,281	302	330	74	26

<sup>1</sup>Less than 17 cents.

<sup>2</sup>Less than 0.2%.

## INSURANCE ON SEED COTTON

### Extent of Coverage

Gins in Arizona and California generally were protected by a policy which insured against losses to seed cotton at all locations and points in time between picking and unloading at the gin. A few California gins had more limited policies which covered seed cotton only from field to scale or from scale to gin suction pipe.

Only about a fourth of the New Mexico sample gins had separate seed cotton policies, and only about half of these provided coverage comparable to that provided by similar policies in Arizona and California. The remainder of the New Mexico gins with separate seed cotton policies had more limited protection.

### Rates on Seed Cotton Insurance

The rate paid by ginner in all three states for seed cotton insurance ranged from 5 to 19 cents per bale during the three years of the study (Table 4). However, an average of 79 percent of the Arizona sample gins paid between 12 and 16 cents per bale for this protection. In contrast approximately an equal proportion of the California gins paid from 5 to 11 cents per bale over the same period. In New Mexico there was a fairly normal distribution of gins by rates paid ranging from 10 to 19 cents per bale. Approximately half of the gins fell within the mid-range of 12 to 16 cents per bale, with the remainder about equally divided on either side.

The extreme range in rates paid for seed cotton coverage was possibly due to the fact that the sample consisted of some very large,

**Table 4. Rate Paid for Insurance on Seed Cotton by Ginning Season, Western Area, 1956-57 to 1958-59<sup>1</sup>**

State and Ginning Season	Rate Paid, Cents per Bale			
	5 - 9	10 - 11	12 - 16	17 - 19
	(percent of gins)			
Arizona:				
1956-57	0	9	90	1
1957-58	16	13	771	0
1958-59	16	8	76	0
California:				
1956-57	1	75	24	0
1957-58	33	43	24	0
1958-59	37	39	22	2
New Mexico:				
1956-57	11	22	45	22
1957-58	0	25	50	25
1958-59	0	25	50	25

<sup>1</sup>Based on 99, 95 and 26 percent of the sample gins in Arizona, California and New Mexico, respectively.

highly-integrated firms with obvious bargaining advantages as well as a number of smaller, independent gin operations.

#### Relation of Claims to Premiums

Average claims collected and premiums paid per gin were slightly higher for the Arizona sample gins as compared to California, and much higher when compared to New Mexico gins (Table 5). The

**Table 5. Average Premiums Paid, Claims Collected and Ratio of Claims Collected to Premiums Paid on Seed Cotton Insurance by Ginning Season, Western Area, 1956-57 to 1958-59<sup>1</sup>**

State and Ginning Season	Premiums Per		Claims Per		Ratio of Claims to Premiums
	Gin	1,000 Bales	Gin	1,000 Bales	
	(dollars)	(dollars)	(dollars)	(dollars)	(percent)
Arizona:					
1956-57	865	125	543	79	63
1957-58	669	112	621	104	93
1958-59	682	119	450	78	66
Average	736	119	538	87	73
California:					
1956-57	686	114	596	66	58
1957-58	618	98	366	58	59
1958-59	646	99	431	66	67
Average	650	104	398	63	61
New Mexico:					
1956-57	588	121	87	18	15
1957-58	476	131	207	57	44
1958-59	518	143	55	15	11
Average	530	130	115	28	22

<sup>1</sup>Based on 99, 95 and 26 percent of the sample gins in Arizona, California and New Mexico, respectively.

ratio of claims to premiums also revealed the same general relationship averaging 73, 61 and 22 percent, respectively, for Arizona, California and New Mexico. This shows that the degree of risk borne by companies insuring seed cotton was far greater in Arizona and California than in New Mexico.

## INSURANCE ON BALED COTTON

### Extent of Coverage

All sample gins in Arizona and California and about two-fifths of those in New Mexico carried separate policies on baled cotton. The two options most commonly found under this type of insurance were (1) full coverage and (2) \$100 deductible. About 84 percent of the California gins carried full coverage as compared to only 27 percent of those in Arizona. Only about one-fourth of the New Mexico sample gins which had separate policies on baled cotton had full coverage.

### Rates on Baled Cotton Insurance

The range in rates paid for insurance on baled cotton was about the same in all three states, but the distribution within the range varied considerably among states (Table 6). For example, in Arizona

**Table 6. Rate paid for Insurance on Baled Cotton by Ginning Season, Western Area, 1956-57 to 1958-59.**

State and Ginning Season	Rate Per \$100 Valuation					
	Less than \$1.00	\$1.00-1.49	\$1.50-1.99	\$2.00-2.49	\$2.50-2.99	\$3.00 and more
	(percent of gins)					
Arizona:						
1956-57	0	26	34	16	15	9
1957-58	0	24	45	12	10	9
1958-59	0	20	47	14	10	9
California:						
1956-57	1	8	45	31	14	1
1957-58	2	14	52	24	3	5
1958-59	2	15	46	29	5	3
New Mexico: <sup>1</sup>						
1956-57	0	0	0	0	88	12
1957-58	0	0	0	0	88	12
1958-59	0	0	0	25	75	0

<sup>1</sup>Based on an average of 40 percent of the New Mexico sample gins.

two-thirds of the sample gins paid between \$1.00 to \$1.99 per \$100 valuation, three-fourths of those in California paid between \$1.50 and \$1.99 and almost seven-eighths of the New Mexico gins paid between \$2.50 and \$2.99 per \$100 valuation.

### Relation of Claims to Premiums

The relative sizes of claims collected and premiums paid per gin on baled cotton insurance followed the same pattern as for seed cotton in the western area. Claims and premiums per gin in Arizona were slightly higher than in California and several times higher than in New Mexico sample gins (Table 7).



**Table 7. Average Premiums Paid, Claims Collected and Ratio of Claims Collected to Premiums Paid on Baled Cotton Insurance by Ginning Season, Western Area, 1956-57 to 1958-59.**

State and Ginning Season	Premiums Per		Claims Per		Ratio of Claims to Premiums
	Gin	1,000 Bales	Gin	1,000 Bales	
	(dollars)	(dollars)	(dollars)	(dollars)	(percent)
Arizona:					
1956-57	1,633	248	745	113	46
1957-58	1,467	247	157	26	11
1958-59	1,067	187	261	45	24
Average	1,389	227	388	61	28
California:					
1956-57	1,100	176	215	34	20
1957-58	1,337	213	247	39	18
1958-59	1,360	210	240	57	18
Average	1,266	200	234	37	18
New Mexico: <sup>1</sup>					
1956-57	381	83	223	39	59
1957-58	298	93	194	60	65
1958-59	141	37	0	0	0
Average	273	71	139	36	51

<sup>1</sup>Based on an average of 40 percent of the New Mexico sample gins.

The claims to premium ratios, however, were relatively low in Arizona and California, averaging 28 and 18 percent, respectively, in the two states. This ratio in New Mexico was almost triple the California figure.

### **BLANKET COVERAGE OF SEED COTTON AND BALED COTTON IN NEW MEXICO**

The type of insurance coverage carried on seed cotton and baled cotton by 60 percent of the New Mexico sample gins was considerably different from the coverage carried on cotton products in Arizona and California. At these New Mexico gins seed cotton and baled cotton were insured under one blanket policy instead of two separate policies.

Generally speaking, provisions of these blanket policies were broader than separate policies carried in New Mexico on seed cotton with respect to coverage in trailers and picker baskets, and hazards included in the coverage. However, these policies were usually more limited than separate policies in regard to length of time the coverage was applicable.

#### **Extent of Coverage**

Most of these blanket policies applied to seed cotton from field to gin suction pipe and to baled cotton from gin press box to warehouse, or issue of bill of lading. Blanket policies at a few gins also included coverage of cotton during ginning. However, the proportion of policies covering cotton during processing declined from 12 to 3 percent over the three years of the study.

## Rates on Blanket Coverage of Seed Cotton and Baled Cotton in New Mexico

New Mexico ginner with this type of coverage paid from 14 to 43 cents per bale during the three-year period of the study (Table 8).

**Table 8. New Mexico Gins<sup>1</sup> by Rates Paid for Blanket-Type Insurance Policies on Seed Cotton and Baled Cotton, by Ginning Season, 1956-57 to 1958-59.**

Ginning Season	Rate Paid, Cents Per Bale					
	14-18	19-23	24-28	29-33	34-38	39-43
	(percent of gins)					
1956-57	12	0	13	50	25	0
1957-58	14	18	14	25	25	4
1958-59	19	19	9	41	9	3

<sup>1</sup>Based on an average of 60 percent of the New Mexico sample gins.

Slightly more than three-fourths of the ginner paid 29 cents or more per bale in 1956-57, whereas in the last two seasons studied, only slightly more than half of them paid a rate of 29 cents or greater.

## Relation of Claims to Premiums

While average claims collected per gin on seed cotton and baled cotton losses were lower for the New Mexico gins having one blanket policy instead of two separate policies, the average premiums paid per gin on the blanket policy were higher (Table 9). Consequently,

**Table 9. Average Premiums Paid, Claims Collected and Ratio of Claims Collected to Premiums Paid on Blanket-Type Insurance Covering Seed Cotton and Baled Cotton, by Ginning Season, New Mexico,<sup>1</sup> 1956-57 to 1958-59.**

Ginning Season	Premiums Per		Claims Per		Ratio of Claims to Premiums (percent)
	Gin (dollars)	1,000 Bales (dollars)	Gin (dollars)	1,000 Bales (dollars)	
1956-57	1,478	297	104	21	7
1957-58	1,058	274	115	30	11
1958-59	1,215	251	176	36	14
Average	1,250	274	132	29	11

<sup>1</sup>Based on an average of 60 percent of the New Mexico sample gins.

the average ratio of claims collected to premiums paid was generally smaller under this broad coverage than was true for either of the specific policies written on seed cotton and baled cotton.

## TOTAL COST OF GIN FIRE INSURANCE TO GINNERS

Total annual premiums paid for the three major types of fire insurance coverage averaged \$2,459, \$2,632 and \$2,531 in California, Arizona and New Mexico, respectively (Table 10). While insurance

**Table 10. Three-Season Average of Premiums Paid, Claims Collected and Ratios of Claims Collected to Premiums Paid, Per Gin and Per 1000 Bales, by Major Types of Coverage, Western Area, 1956-57 to 1958-59.**

State and Major Type Coverage	Per Gin		Per 1000 Bales		Ratio <sup>1</sup> (percent)
	Premiums (dollars)	Claims (dollars)	Premiums (dollars)	Claims (dollars)	
Arizona:					
Bldgs. and Equip.	507	4	79	1	1
Seed Cotton	736	538	119	87	73
Baled Cotton	1,389	388	227	61	28
Total or Average	2,632	930	425	149	35
California:					
Bldgs. and Equip.	543	0	89	0	0
Seed Cotton	650	398	104	63	61
Baled Cotton	1,266	234	200	37	18
Total or Average	2,459	632	393	100	26
New Mexico:					
Bldgs. and Equip.	1,281	330	302	74	26
Seed Cotton	1,250 <sup>2</sup>	132 <sup>2</sup>	274 <sup>2</sup>	29 <sup>2</sup>	11 <sup>2</sup>
Baled Cotton					
Total or Average	2,531	462	576	103	18

<sup>1</sup>Minor discrepancies in ratios due to rounding.

<sup>2</sup>Based on an average of 60 percent of the New Mexico gins that had coverage on seed cotton and baled cotton under one blanket policy comparable to the coverage provided under two separate policies in Arizona and California.

costs per gin were quite comparable among the three states, the cost for New Mexico gins appeared to be out of line in two respects.

First, the total insurance coverage on New Mexico gins averaged only about two-thirds that on either Arizona or California gins. Secondly, total production per gin in New Mexico averaged about 70 percent of that for either of the other two states.

Annual claims collected per gin ranged from an average of \$462 in New Mexico to \$930 in Arizona. This resulted in a net difference between premiums paid and claims collected of \$1,702 per gin in Arizona, \$1,827 in California and \$2,069 in New Mexico. On a production basis, this amounted to approximately 28, 29 and 48 cents per bale, respectively, for Arizona, California and New Mexico.

Looking at each of the three major types of coverage individually, there were no claims for losses on buildings and machinery in California and losses averaged only \$4.00 per gin in Arizona. On this basis, it appears that a predominance of all-steel gins in these two states and other factors have minimized the risk to insuring companies in providing this type of coverage. Likewise, average claims collected on baled cotton during this period were small compared to premiums paid for this protection. On the other hand, the loss ratio on seed cotton in both Arizona and California indicated relatively high risk for companies providing this type of coverage. It is reasonable to assume that those companies which write insurance on seed cotton along with buildings and machinery and/or baled cotton may depend on the latter to help sustain this less profitable insuring of seed cotton.

Companies insuring gin buildings and machinery in New Mexico paid an average of \$330 per gin in claims, compared to an average premium earned of \$1,281. These claims amounted to 26 cents on every premium dollar collected for this coverage. Likewise, insurance companies in this state returned to ginners only 11 cents on each premium dollar collected for the blanket-type coverage on seed cotton and baled cotton which was carried by 60 percent of the ginners in the sample. The net result was an average of 18 cents returned in total claims for each premium dollar expended by New Mexico ginners as compared to 26 cents and 35 cents, respectively, for each premium dollar paid by California and Arizona ginners.

These findings indicate that key or basic rate reductions may be warranted on buildings and machinery as well as on baled cotton in Arizona and California. In the case of seed cotton, producers and ginners alike, in both of these states should make a concerted effort to reduce losses if rate increases are to be avoided.

Inequities in insurance rates paid by New Mexico ginners appear to be rather general when compared to either California or Arizona and should be carefully examined.

## APPENDIX A

### Schedule of Credits and Charges Applicable to Cotton Gins, Cotton Yards and Cotton Seed Piles in the Open in Arizona and California<sup>1</sup>

#### Cotton Gin

Charges	Rate <sup>2</sup>
Occupancy and Susceptibility.....	80%
Hazards of Occupancy	
Boiler, furnace or heating devices within 20 feet of building (either open or housed).....	20%
Electrical equipment not in accordance with National Electric Code for Class III locations.....	10%
Electrical motors having sliding contacts located in gins or other areas used for storage or handling of cotton or cotton seed .....	5%
Cotton drier:	
(1) Without automatic temperature control.....	5%
(2) Ducts from burner chamber to drier less than 10 feet .....	10%
Equipment of wood construction:	
(1) Distributor or feeder.....	5%
(2) Dust flue .....	10%
(3) Lint flue or condenser.....	10%
(4) Cleaner .....	5%
(5) Gin stand .....	5%
(6) Baling platform .....	5%
"No smoking" signs not properly posted.....	10%

<sup>1</sup> *System for Rating Industrial Properties for the Use and Guidance of Fire Underwriters in Alaska, Arizona, California, Montana, Nevada, and Utah*, Pacific Fire Rating Bureau, Effective June 1, 1950, pp. 52-55, 57-58, 124, 128-129.

<sup>2</sup> Charges and credits expressed in percentages apply to the key rate while charges or credits in absolute values are added or deducted directly in determining the final rate.

## Credits

For standard first aid.....	5%
For inside hose system in accordance with requirements.....	10%
For mobile first aid unit	
Mobile pressure unit.....	2%
Mobile pump and tank unit.....	5%
Carbon dioxide gas systems.....	5%
Watchman and clock service.....	5%

## Cotton Yards

(Basis: \$2.35. Charge increased accordingly as yard capacity is increased above 2,500 bales and as distance is reduced between yards.)

## Charges

Aisles less than standard width.....	\$0.15
Railroads (other than spur tracks) or public highways, roads or streets less than 50 feet from the yard.....	\$0.25
Where yards are not fenced and are near cities, towns or congested areas (including labor camps, housing projects, schools or equivalent exposure) or near main line railroad tracks and have been subject to trespass.....	\$0.50
Clear space between yards not parallel to prevailing high winds:	
100 to 500 feet clear space.....	\$0.25
500 to 1,000 feet clear space.....	\$0.10
Over 1,000 feet clear space.....	No charge
For grass, weeds and other vegetation not kept back according to standards.....	\$0.25
For a group of four yards with less than 1,000 feet to other yards.....	\$0.25
For open burr piles and incinerators:	
(1) Open burr pile or nonstandard incinerator:	
0 - 100 feet.....	\$2.00
100 - 200.....	\$1.00
200 - 500.....	\$0.25
500 - 1,000.....	\$0.10
(2) Standard incinerator:	
0 - 50 feet.....	\$1.00
50 - 100 feet.....	\$0.50
“No Smoking” signs not properly posted.....	\$0.25
Lack of proper yard markers.....	\$0.50
Tiering of cotton.....	\$0.50
Clear space between yards.....	varies

## Credits

For aisles parallel to direction of prevailing winds.....	\$0.15
For adequate supply of proper wetting agents.....	\$0.15
For “acceptable” type spark-arresting muffler on all gasoline-powered equipment used for towing and handling of cotton in storage yard.....	\$0.10
For “approved” type hand fire extinguishers on all equipment referred to in item above.....	\$0.10
For first aid appliances according to standard for cotton yards.....	10%
For mobile first aid units in combination with standard barrels and buckets.....	4-20%

### Cotton Seed Piles in Open

Basis A—No marker posts or over 7,500 tons.....	\$1.40
Basis B—With marker posts:	
5,000 - 7,500 tons .....	\$1.25
3,000 - 5,000 tons .....	\$1.12
less than 3,000 tons.....	\$1.00

#### Charges

Railroads (other than spur tracks) or public highways, roads or streets less than 50 feet from the pile.....	\$0.15
For grass, weeds and other vegetation not kept back according to standards.....	\$0.15
Exposures .....	formula basis

#### Credits

For curbing to contain pile as per standards.....	5%
For first aid appliances (1 barrel and 2 buckets at not more than 50 feet intervals around perimeter of pile).....	43%
For mobile pump and tank unit (one unit per 5,000 tons or fraction thereof). Units credited to baled cotton yard may also be credited to cotton seed pile if located within 250 feet of pile.....	10%
Watchman and clock service.....	5%

## APPENDIX B ARIZONA FIRE RATING BUREAU INSPECTION FORM FOR COTTON GINS AND SIMILAR PROPERTY

### Name of Plant

### Location

Introduction: Answer each question “yes” or “no” and add remarks where necessary in the space following each question. Explain the reason in each case where the question is answered “no”. A negative answer to any item indicates an unsatisfactory condition.

### COTTON GINS

#### Inside Protection

1. Are there sufficient barrels (each with two metal buckets) or Class “A” extinguishers? (One unit required for every 1,500 sq. ft. with a minimum of 3 in gin bldg.) \_\_\_\_Yes \_\_\_\_No
2. Is a tag showing date of recharging attached to each extinguisher and have the extinguishers been charged within the last twelve months? \_\_\_\_Yes \_\_\_\_No
3. Are there sufficient stand pipe and hose with nozzles located in gin building? \_\_\_\_Yes \_\_\_\_No
4. Are platforms or additional floors provided with at least one barrel and two buckets or one approved 2½ gallon Class A extinguisher for each 1,500 sq. ft. of floor area or fraction thereof? \_\_\_\_Yes \_\_\_\_No
5. Is the gin machinery equipped with a standard carbon dioxide system (with at least one full cylinder in reserve) or equivalent steam jet protection? \_\_\_\_Yes \_\_\_\_No
6. Is standard watchman and clock service provided in gin buildings? \_\_\_\_Yes \_\_\_\_No

## HAZARDS

7. Describe type, location and cut-off of boilers, furnaces, dryers or sterilizers.
8. Is trash burned in standard incinerator, non-standard incinerator or continuously removed from premises?
9. Are electric motors and electric equipment and power line, etc., installed in accordance with the National Electric Code for Class III locations? \_\_\_\_Yes \_\_\_\_No If not, describe.
10. Is gin machinery, with the exception of the press box, all metal? \_\_\_\_Yes \_\_\_\_No List any deficient parts.
11. Are No Smoking signs conspicuously posted on the exterior and interior of all gin buildings and are the No Smoking rules observed and enforced? \_\_\_\_Yes \_\_\_\_No
12. Are metal waste cans provided in engine, boiler, gin and compress buildings? \_\_\_\_Yes \_\_\_\_No
13. Is gin building kept free of all unnecessary storage such as oils, parts, materials, etc., and thoroughly cleaned both inside and outside at frequent intervals to prevent excess lint accumulations? \_\_\_\_Yes \_\_\_\_No

## COTTON SEED PILES IN OPEN

1. Are the boundaries of the pile clearly defined with acceptable marker posts established at not less than 25 ft. intervals? \_\_\_\_Yes \_\_\_\_No
2. Is acceptable curbing used in lieu of marker posts? \_\_\_\_Yes \_\_\_\_No
3. What is the tonnage capacity of the pile?
4. Is there a minimum of 50 ft. clear space between all cotton seed piles? \_\_\_\_Yes \_\_\_\_No (If not, list distance.)
5. Is a clear space of 50 ft. maintained between public highways and railroads? \_\_\_\_Yes \_\_\_\_No
6. Is the area kept clean of weeds, grass or rubbish within 50 ft. of pile? \_\_\_\_Yes \_\_\_\_No
7. Is a clear space of not less than 25 ft. maintained between the cotton seed pile and any quarantine area, incinerator, or burr pile? \_\_\_\_Yes \_\_\_\_No
8. Is pile detached 100 ft. from all cotton yards, gin buildings and all other buildings? \_\_\_\_Yes \_\_\_\_No
9. Are there sufficient barrels? (1 barrel and 2 buckets at not more than 50 ft. intervals around perimeter of pile.) \_\_\_\_Yes \_\_\_\_No
10. Are mobile pressure units or mobile pump and tank units located at the pile? \_\_\_\_Yes \_\_\_\_No
11. Is standard watchman and clock service provided? \_\_\_\_Yes \_\_\_\_No
12. Are facilities according to standards available for measuring the seed pile temperature? \_\_\_\_Yes \_\_\_\_No

## BALED COTTON YARDS

1. Is the total capacity of the yard limited to 2,500 bales with a clear space of 100 ft. to gin buildings and 200 ft. to other buildings and yards? \_\_\_\_Yes \_\_\_\_No
2. Is each group of 4 yards separated from other yards by 1,000 ft. of clear space? \_\_\_\_Yes \_\_\_\_No

3. Are the clear spaces between yards and the aisles in each yard parallel to the direction of the prevailing high winds and the aisles at least 12 ft. apart between double rows with cross aisle ways of 20 ft. provided across rows at the center? \_\_\_\_ Yes \_\_\_\_ No
4. Is a clear space of 50 ft. maintained between public highways and railroads? \_\_\_\_ Yes \_\_\_\_ No
5. If yards are near towns, populated areas, labor camps, etc., are they fenced with acceptable type of fencing? \_\_\_\_ Yes \_\_\_\_ No
6. Is the yard kept free of weeds, grass or rubbish within 50 ft. of yard? \_\_\_\_ Yes \_\_\_\_ No
7. Are sufficient marker posts provided to indicate the yard limits and clear space limits and are the yards numbered? \_\_\_\_ Yes \_\_\_\_ No
8. Are adequate "No Smoking" and "No Trespassing" signs posted at the yard limits and the rule enforced? \_\_\_\_ Yes \_\_\_\_ No
9. Are tiering and tilting of baled cotton prohibited? \_\_\_\_ Yes \_\_\_\_ No
10. Are barrels with two buckets at each distributed throughout the yard in the ratio of one to each 1,500 sq. ft. of yard area? \_\_\_\_ Yes \_\_\_\_ No
11. Are mobile pressure units and mobile pump and tank units located in the yard? \_\_\_\_ Yes \_\_\_\_ No
12. Are all fire packed bales, including the bale preceding the fire and the next two following kept in a segregated quarantine yard? \_\_\_\_ Yes \_\_\_\_ No
13. Is the quarantine yard kept a minimum of 100 ft. from the baled cotton yard and at least 25 ft. from the gin buildings? \_\_\_\_ Yes \_\_\_\_ No
14. Is adequate first aid protection available in the quarantine yard? \_\_\_\_ Yes \_\_\_\_ No
15. Is incinerator standard and 100 ft. from bale yards? \_\_\_\_ Yes \_\_\_\_ No. If non-standard incinerator or burr pile, note distance from yards.
16. Is all gasoline powered equipment, used for towing and handling of cotton on the storage yard, equipped with an acceptable type spark arrestor and at least one labeled type fire extinguisher? \_\_\_\_ Yes \_\_\_\_ No

**MISCELLANEOUS NOTES**

1. Are water barrels refilled at frequent intervals? \_\_\_\_ Yes \_\_\_\_ No
2. Is there water under sufficient pressure available at the standpipes at all times? \_\_\_\_ Yes \_\_\_\_ No
3. Is an adequate supply of acceptable type wetting agent kept on hand? (Minimum 5 gals. of concentrate.) \_\_\_\_ Yes \_\_\_\_ No
4. Is standard watchman service provided? \_\_\_\_ Yes \_\_\_\_ No (If substandard, describe under "Remarks.")
5. If watchman and clock service is provided, does a responsible person (other than watchman) change watchman's records? \_\_\_\_ Yes \_\_\_\_ No

**REMARKS:**

Date

INSPECTOR