

COVERING YOUR

COLLECTORS often “assume that whatever they own is covered under their homeowner’s policy,” says Ron Fiamma, vice president of private collections at Chartis. “But even for modest collections, that’s usually going to be inadequate.”

There are two main types of specialized collection insurance: scheduled and blanket. Both provide worldwide all-risk coverage for physical damage, with no deductible. In scheduled, reimbursement is based on a list showing each covered item along with its value; blanket reimburses losses up to a predetermined total, with caps on individual items. Blanket coverage may suit collectors who split their goods among several homes that are unlikely to sustain damage all at one time; a \$5 million policy may suffice to protect valuables worth \$10 million divided among three locations.

But insurance is only a means, not an end. Here are steps to take to keep your treasures safe.

EXPERT PANEL

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	JEWELRY	ANTIQUES
<p>ACQUIRE + APPRAISE BUY FROM TRUSTED SOURCES AND KNOW WHAT YOUR HOLDINGS ARE WORTH</p>	<p>Protecting your investment begins even before you pull out your auction paddle or credit card; it’s all about due diligence. • Collectors “need to buy from a source with a track record, so they know they’re buying something that has legal title and that is authentic,” says Straus. “Are they paying the right price for something? If they are not experienced in valuation, then working with an independent adviser or appraiser can help them make sure they’re paying the right amount for a piece.” • Condition is also critical, because it “can determine everything about an object’s value, whether a</p>	
<p>SECURE + PROTECT PROPER PRECAUTIONS BENEFIT BOTH YOUR PEACE OF MIND AND YOUR BOTTOM LINE</p>	<p>“Put a safe in your home, and have it permanently mounted so it can’t easily be dragged and thrown out of a window,” says White. Alternatively, storing your valuables in a safe deposit box will get you a substantial insurance credit.</p>	<p>“If you have children, don’t put your most precious work of art low to the ground,” says Straus. “Children scribbling crayons on works of art, dogs and cats urinating on things—these are funny stories, but not when you’re looking at a claims abstract.”</p>
<p>INSURE CHOOSE A COMPANY THAT SPECIALIZES IN COLLECTIONS INSURANCE AND HAS EXPERTS ON STAFF</p>	<p>When it comes to gold and diamonds, specialized insurance provides such benefits as worldwide protection, no deductibles, coverage for loss, and in many cases, reimbursement up to 150 percent of listed value—none of which is offered by homeowner’s policies.</p>	<p>It might be tempting to rely on your homeowner’s insurance for objects you live with, like antique furniture, but resist. “A lot of those items have extreme value,” says Edmonston. “If you have them covered under your homeowner’s policy and you have a loss, not even a total loss, that exceeds your contents limit because you have a \$200,000 armoire, then you’ve got a problem.”</p>
<p>BEWARE EVEN WITH INSURANCE, THERE ARE IMPORTANT CAVEATS FOR EACH CATEGORY</p>	<p>Chartis reports that more than half of jewelry claims result from “mysterious disappearance,” whether of an entire item or just one stone in a setting. Check prongs frequently.</p>	<p>Both art and antiques coverage rules out “inherent vice,” such as bad workmanship, or, in the case of Damien Hirst’s shark in formaldehyde, a self-destructive mechanism.</p>
<p>TRANSPORT + LENDING EXPERTS AGREE: TRANSIT POSSES THE NUMBER-ONE RISK FOR VALUABLE COLLECTIONS</p>	<p>Skip the in-room safe at the hotel when traveling—who knows who has access? Instead, says White, “take your jewelry to the concierge or front desk and have them store it in their vault.” Never send gems valued at more than \$10,000 by mail.</p>	<p>“There’s nothing wrong with FedEx for shipping documents,” says Fiamma, “but for a \$10 million painting, it’s probably not the way to go.” One of his clients had planned to use the international cargo carrier to ship \$250 million in art from California to</p>
<p>DISASTER MANAGEMENT MINIMIZE THE IMPACT OF FACTORS BEYOND YOUR CONTROL</p>	<p>Collectors who live in areas prone to natural disasters such as earthquakes, hurricanes, or flooding should seriously consider creating an evacuation plan for precious belongings vulnerable to damage or theft. “The best place for art may be people’s homes, because they have superior construction,” says Fiamma, “but in some cases, they may need to have a formalized evacuation plan, which we would formulate in conjunction with a nearby storage facility and shipping company.” • “After Hurricane Katrina,” notes the Louisiana-based Edmonston, “some carriers hired security to guard houses with the largest art collections until they could get an art conservator to come in and pack them up.”</p>	

ASSETS

With investors' faith shaken recently in traditional vehicles like stocks, bonds, and real estate, tangible assets like art, wine, and collectibles seem more and more attractive. But managing a collection "is not a passive activity," cautions Gary Raphael, senior vice president for claims and risk consulting at ACE Private Risk Services.

by Kris Wilton

ART	CARS	WINE
<p>painting, an armoire, or a vintage Cadillac," says Straus. "You may want to work with a conservator who can look at the work and say, 'Yes, this is really in good shape,' or 'No, it's been heavily restored and is not going to hold its value.'" • How often should collectors have their artworks or other valuables appraised? "The rule of thumb is every three to five years," says Straus. "But if you have a work by an unknown artist who suddenly becomes very well known, then you might want to do it</p>	<p>sooner." Likewise, "if you have a lot of jewelry and the market for precious metals and gemstones is going crazy, as it is now, you should take a look at your pieces every two years," says White. • Don't be put off by the appraisal process. "High-end insurance carriers don't ask for appraisals unless they have to," says Edmonston. "These companies are so competitive, they want to make it as easy as possible for the client." • But keep in mind that finding an appropriate policy depends on knowing the current market value of your goods—the most common mistake is "inadequate coverage," says Fischer.</p>	
<p>When it comes to art, the majority of claims involve damage, not theft. Most carriers will send out consultants whenever possible to assess possible risks in a client's home. Avoid displaying art above working fireplaces, near radiators, in direct sunlight, and under or in bathrooms. "You'd be amazed how many people think it's a good idea to put art in their bathroom," says Bezark. And hire a professional to install it. "I've seen numerous situations where a work of art fell because it was hung by an improper mechanism," says Straus.</p>	<p>Because collectible cars are generally vintage and susceptible to normal deterioration, it's imperative that owners have their vehicles inspected annually, especially those they drive, since mechanical failures can lead to collisions.</p>	<p>Invest in a proper wine cellar, and consider alarms for temperature, moisture, fire, and theft. Store wine at 55 degrees, 65 to 75 percent humidity, and at least eight inches off the floor. Tip: Never use cedar in a cellar, its aroma can penetrate corks and affect the wine's taste.</p>
<p>One type of coverage applicable only to art is title insurance, offered exclusively by ARIS Title Insurance since 2006. "Title insurance protects the ownership of your art, which isn't protected anywhere else," says Pearson. Proof of ownership is required should an owner want to sell, gift, or donate a work, and challenges involving bequests, divorce, lien, or, more rarely, provenance can be costly to defend against. A onetime premium, typically equal to 1 to 3 percent of the work's assessed value, buys a no-deductible policy that remains in force for the period of ownership, including that of heirs. That assessed value becomes the insurer's limit of liability in the event of a loss due to legal proceedings, but ARIS then pays any costs associated with defending the title.</p>	<p>Not only are collectible-car policies better suited to a collector's needs than regular auto insurance, they're also more affordable, with rates taking into account the care owners bestow upon these prized possessions and the fact that most of them are rarely driven.</p>	<p>Don't neglect wine when planning your collections coverage: It is a growing investment category, and the cost of buying even two or three cases of fine vintage a year will add up if the bottles are properly stored and cared for.</p>
<p>If you decide to spring for title insurance, know that it does not insure authenticity, only ownership. "With ownership," Pearson explains, "you can look at a legal fact pattern, authenticity is a matter of opinion. It's just not something that's easily insured." Also, ARIS only considers antiquities for protection on a case-by-case basis.</p>	<p>In collectible-car coverage "every policy is different," says Edmonston. Familiarize yourself with exclusions. Some policies might not cover mold damage, for example.</p>	<p>Wine-collection insurance is generally comprehensive, but it may not cover such damage as bottles' gradual deterioration or "mold or wet or dry rot," says Fiamma.</p>
<p>New York for auction: "Fortunately we heard about it and put a stop to it immediately." The revised plan called for private security escorts and GPS tracking, then dividing the works between two storage locations on arrival. • If you have to use air freight, choose a TSA-certified fine-art shipper so that the work is less likely to be opened for screening and damaged. • If you lend, be sure to discuss insurance. Get a condition report before the work leaves your care and repeat at every stage along the way.</p>	<p>Car collectors opting to ship their vehicles to classic car shows or other destinations in order to avoid road hazards should select a reputable company with experience transporting high-value cars. Insurance carriers can offer suggestions.</p>	<p>Specialized wine coverage generally allows for future additions to your collection, protecting them during the especially dangerous trip from vendor or vineyard to you.</p>
<p>• Owners of outdoor artworks should take into account proximity to water and wind, and be particularly mindful about caring for the grounds surrounding them. Straus recommends that works also be checked annually by a conservator. "Things tend to deteriorate outside," she says, and that kind of wear and tear isn't covered. "If you have an Alexander Calder stabile, for example, it may need to be repainted every once in a while. So, work with someone from the Calder Foundation to make sure your painters have been approved and use the right paints." • Consider an alternate source of power if you employ electronic security or temperature devices. "If you have a</p>	<p>wine cellar in your house and you lose power during a snowstorm, a hurricane, or an earthquake, that whole cellar is pretty much ruined," says Edmonston. "If you have an emergency generator," says Fischer, "make sure it is above possible water levels." • "In California, we recommend working with a conservator who knows how to install works so that if there is a tremor, they don't start sliding or falling," says Straus. "There are some sophisticated ways to prevent accidental damage." • In the aftermath of a flood, Fischer advises putting wet works on paper into a freezer until professional help arrives. "Damage control is a matter of quick action," she says. Keep a waterproof camera on hand to document any losses.</p>	