



american
institute for
conservation

Preserving Cultural
Heritage

How Do I...

Decide about Insurance

Introduction

Do you occasionally acquire art or collectibles, or do you have a storage unit full of something you can't stop collecting? Did you inherit objects from a relative or did you travel the globe to find unique treasures? Whatever the reason, you now have a collection! It is important to you, and it has value, so it needs to be protected like every other asset you own. Insurance coverage is an essential component of an effective risk management and loss prevention program, and there are several options available to you depending on the type and level of protection you want.

Homeowner's vs Private Collections Policy

- › The cost and complexity of collections coverage varies widely. Your options can range from adding your collection to the contents coverage provided by your homeowners or renter's policy, to a standalone private collections policy specifically meant for fine art, decorative art, and collectibles. (Specialized collections policies come with added benefits, such as little or no deductible, worldwide coverage, and coverage for partial loss in value, and more.)
- › The former coverage type is typically provided by a "direct writer" such as GEICO, Progressive, and State Farm, which provides the policy directly to you. The latter is provided by a "specialty carrier" like Private Client Select, Chubb and AXA XL, and is sold through a third-party insurance broker.

You will have a choice of scheduled or blanket coverage, or a combination of both, depending on which best suits your risk tolerance and willingness to gather and share collection information. Scheduled coverage is based on agreed values for specific items listed on the policy by class (e.g., fine art, collectibles, jewelry). Blanket coverage typically provides a total limit with a single article limit for each class of items. Collectors often choose a combination of scheduled coverage for their higher value objects and blanket coverage for their lower value objects.

What the insurance company wants to know

Insurers need to understand the risks associated with extending coverage for your collection before it will agree to write a policy for you:

- › **What you have:** Maintaining a current and accurate inventory of the objects in your collection is essential for insuring your collection to value (i.e., avoiding underinsurance). If disaster strikes, you will need to provide a list of what was damaged and/or lost to a claims adjuster in order to be made whole. Creating this list from memory in the middle of an emergency is never a good idea. For blanket policies, having a current inventory list including values is crucial to the claims process because the carrier will not have a list of the items covered by your policy and will rely on you to provide this information.



Fine art, decorative art, and collectibles should be considered part of your collection. Pictured: Philippe Starck 'J Serie Lang' armchair for Driade Aleph.



Include at least the creator's name, object title, date, physical description, and image, plus its location, condition, and value in your collection inventory. Pictured: Home with contemporary art collection on display.

Images courtesy Barbara Chairberlain.

- › **Where it is located:** The location of your collection will impact the premium you pay for your policy. Insurance rates vary by state, so the underwriter who assesses the risk of insuring your collection and calculates the premium you will pay for coverage will need to understand the distribution of the value of your collection. Is it all in one place or spread across multiple locations (e.g., multiple homes, storage facilities, on loan, on consignment, etc.)? The underwriter will also need to know if any of your collection is in a natural catastrophe-prone area (such as a location that has a higher frequency of hurricanes, wildfires, or earthquakes).
- › **What it is worth:** Insurers don't want to over-insure or under-insure your collection, and you don't want to overpay for coverage or not have enough should disaster strike. While the value of some objects in some collecting areas changes relatively slowly over time, such as Old Master paintings, other collecting areas are trending hot and likely to significantly appreciate year over year, such as Contemporary art. Therefore, periodic appraisals by qualified appraisers who follow the Uniform Standards of Professional Appraisal Practice (USPAP) are strongly recommended and may be required by some insurers for objects over a specific value threshold.

There are many online resources available to track how your objects are faring in the marketplace (e.g., Artnet Price Database, askART, and past sale data on auction house websites). It is important to distinguish between fair market value (FMV) which is realized in the auction market and retail replacement value (RRV), such as prices at retail galleries, which is the type of value used for insurance policies. RRVs can be as much as 100% above the FMV, so you want to be sure your coverage is based on the appropriate type of value, which may mean you need to engage an appraiser to help ensure the value of your objects is current and keeping up with market conditions.

- › **How well protected is your collection:** Accidents happen, which is why you buy coverage in the first place. Reducing your risk of damage and loss can help you keep your premium down while also maintaining the good condition of your collection. With a collections policy, you may need to prove to the underwriter that your location is well protected from fire, theft, and water exposures, and confirm your collection is adequately managed. Do you have an emergency plan for your collection if disaster strikes? Do you have a long-term conservation plan for monitoring and maintaining the condition of the objects in your collection? Was your collection professionally installed? These are important preventative practices underwriters consider.

Although some question the value of insuring something that cannot be replaced, adequate coverage can help you recover your investments and be made whole should your objects be damaged and/or lost. Insurance coverage can help ensure you receive the funds you need to conserve an object that is partially damaged and/or provide you with the means to acquire something of equal value. Be sure to review your insurance program annually with your insurance company or your broker so you can be sure to get the best coverage at the best rate for your collection.

Consider

- › Depend on a carrier with private collections expertise.
- › Choose a broker who knows the private collections insurance market.
- › Insure to value for adequate coverage.



Engage a specialist to pack and crate your objects for transit, and store them in a fine art storage facility if you don't have a safe space at home. Pictured: Fine art in specially designed crates to protect paintings.