

# Protecting Your Prized Possessions

## Understanding Insurance 101

By Michelle Halsey

**F**inding the right insurance coverage for your valuables is no easy task. Whether you need to protect a few pieces or an extensive collection, it's imperative to obtain the right coverage so that you aren't disappointed if there is a loss. Below is a guide to understanding the world of insuring antiques and collectibles.

### Finding a Broker

The first step towards obtaining appropriate coverage for your collection is dealing with an insurance broker who understands the antique market. A broker specializing in antiques and collectibles will not only have a broad knowledge of classes and values, but will understand the products available to protect these items. It also stands to reason that these brokers are representing companies familiar with the same category of insurance, so it's a win-win situation for you, the client.

Jeff Goldstein, an insurance broker who has been insuring antiques and collectibles for over 25 years, suggests that merely representing the right companies is not enough. "A broker needs to have the right relationship with an insurance company so that when a unique situation arises they can work together to find a creative solution for the client," Goldstein says. This

sentiment is especially true for collectors with distinct pieces or exceptional coverage requirements. Goldstein recalled one such situation in which his client had a collection that was distributed between two homes, one in Canada and one in the U.S. The client occasionally transferred pieces between locations and regularly purchased new items, so Goldstein not only found coverage for both countries, but also negotiated a higher limit for items in transit.

### Choosing the Right Insurance Company

Insurance brokers represent a range of companies providing products that will cover your valuables. Traditional companies can offer protection as part of regular contents coverage or they may attach a "rider" which is a special form attached to the client's policy that enhances coverage, terms or conditions. Specialty companies differ by offering policies

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specifically tailored to valuable articles and employ staff that are trained in this niche market. Goldstein notes that having a company that understands the collector has several advantages including less hassle with appraisals and a smoother claims settlement process.

Beyond traditional and specialty companies there is AXA Art ([www.axa-art.com](http://www.axa-art.com)) – the only insurer worldwide to focus exclusively on fine art. According to Ann-Louise Seago, Vice-President/Senior Fine Art Appraiser at AXA Art's newest location in Toronto, the company will look at the smallest to the largest collection subject to a \$500 minimum premium. Seago echoes the sentiment that it is important to have the right insurance team when protecting your collection. She explains that “a client with a unique piece can also benefit from an insurer with industry relationships such as specialty restorers that can be accessed after a claim.”

## Determining the Value of Your Piece

One of the most confusing issues surrounding the insurance of antiques and collectibles is determining the value of your piece(s). Deciphering industry jargon can be a bit daunting but the basic types of valuation are:

**Replacement Cost:** The amount required to replace an item with one of like kind and quality. No allowance is made for the intrinsic value of the piece and no set amount is stated.

**Agreed Value:** A specified amount usually determined by a current appraisal.

**Current Market Value:** The current value of an item within a defined marketplace. This value takes fluctuations in the marketplace during the policy term into consideration.

Similar language is used during the appraisal process. There are three categories of valuation that a client can request: Replacement value (for insurance purposes), Market Value (similar to Current Market Value) and Fair Market Value (used when donating pieces). When determining value an appraiser will photograph the item and note the physical characteristics in detail. If you can provide additional documentation such as receipts or prior appraisals, it will help to establish provenance (history of ownership) and a context of value in the marketplace. Many appraisers are now adhering to the Object ID system which is an international standard for describing objects.

Sharon Berlin ([www.cartoucheconsulting.com](http://www.cartoucheconsulting.com)), an accredited art and antique appraiser, suggests doing your homework before hiring an appraiser since they are not subject to a governing body. Appraisers should belong to one of the three professional associations that uphold documenting standards – the International Society of Appraisers (ISA), the American Society of Appraisers (ASA) or the Appraisers Association of America (AAA). Appraisers should also have a solid understanding of market fluctuations in order to provide accurate costs. Berlin notes that one of her clients recently brought in a sculpture purchased in the \$40,000 range in 1973. In 1988 the client had the piece appraised at the request of the insurance company only to discover that it had tripled in value. Now, 20 years later, Berlin has just re-appraised the piece which has soared to a value in excess of \$1million. However, Berlin notes that a de-valuation can also happen as was the case with a recent piece she reviewed that went from \$30,000 to \$15,000 upon appraisal.

If you decide not to get a professional appraisal it is recommended that you make some sort of inventory and store it off-site. A quick way to do this is to compile your receipts and take photos or video footage of your collection. Berlin advises that clients have a number of resources available to them to determine a ballpark value such as the internet or calling auction houses and dealers to ask questions.

## Coverage Considerations

The two basic ways to cover your piece or collection are a) as part of your regular household contents or b) by scheduling the item(s). With contents coverage you need to consider:

- Deductible
- Per item limit – there is a maximum paid for any one item that is claimed
- Restricted geographical coverage – not covered during transit
- Restricted coverage – certain perils are not covered such as breakage of fragile articles
- No automatic coverage for newly acquired items
- Basis of valuation is Replacement Cost

If you want enhanced features then it's a better alternative to schedule items. Scheduling can take two forms – itemized or blanket coverage. Itemized coverage requires a separate descrip-

tion and value for each piece whereas blanket coverage lists a total dollar amount without listing each item. Scheduling advantages include:

- No deductible
- No per item limit (except when blanketing but the per item limit should still be higher than under contents)
- Additional covered perils
- Broader geographical range – usually worldwide
- Coverage for newly acquired items that includes automatic coverage for new pieces with a grace period for reporting usually ranging from 25 to 60 days
- Basis of valuation is either Agreed Value or Current Market Value

Scheduling your collection costs more in premium but as Goldstein is quick to point out, it can be a pay me now or pay me later scenario. For example, let's assume that you have an antique crystal chandelier (\$3,200), an antique dining table (\$6,500), and a vintage centerpiece (\$800). The chain suspending the chandelier breaks causing it to fall which in turn damages the table and breaks the centerpiece. If your items are scheduled you will receive \$10,500. If your items were covered under contents coverage, most policies would not pay the loss. By using only contents coverage you will be out the \$10,500 at claim time.

To find an insurance team in your area contact the following organizations:

- Insurance Brokers Association of Canada  
[www.ibac.ca](http://www.ibac.ca) 416-367-1831
- International Society of Appraisers  
[www.isa-appraisers.org](http://www.isa-appraisers.org) 206-241-0359
- American Society of Appraisers  
[www.appraisers.org](http://www.appraisers.org) 703-478-2228
- Appraisers Association of America  
[www.appraisersassoc.org](http://www.appraisersassoc.org) 212-889-5404 ext.11

Or visit any insurance company website and select the Find a Broker search tool.

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